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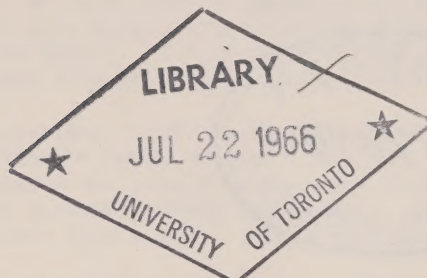


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Canada. Statistics Bureau
Quarterly estimates of the Canadian balance of
payments.

1966-70



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1966

1966-70

Contains estimates of foreign ownership and control of
Canadian industry at the end of 1963

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QUARTERLY ESTIMATE OF THE CANADIAN
BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1971

By _____
Director, Department of International Trade
and Finance, Ottawa, Ontario

APPROVED FOR RELEASE
BY THE SECRETARY OF DEFENSE
ON _____
DATE _____

QUARTERLY ESTIMATES OF THE CANADIAN BLANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1966

At \$396 million, Canada's deficit on international transactions in goods and services in the first quarter of 1966 was close to the estimate of \$401 million for the same period in 1965. This stability in the balances resulted from an improvement of \$40 million in the merchandise deficit, and a widening of \$35 million in net payments on service transactions. The current account deficit with the United States and the surplus with the United Kingdom were also close to the previous year's levels; and there was an improvement of \$9 million in Canada's surplus on current account with other countries. Within this group, there were deteriorations in the balances with the Rest of the Sterling Area and with other OECD countries in Europe, which were more than counterbalanced by a fairly substantial expansion in Canada's current account surplus with the remaining countries.

The new high levels of international trade in the quarter are in part a direct accompaniment of the rising pace of economic activity in North America. But they also reflect certain special influences which contributed to containing the deficit under such strong conditions of demand. Among these were greatly expanded trade in automobiles and parts, sales of wheat to China and the USSR, and some net retarding effects upon imports from a labour dispute in the trucking trades in Ontario.

Summary statement

	1964	1965	1965				1966
			I Q	II Q	III Q	IV Q	I Q
			millions of dollars				
Merchandise trade balance	+ 700	+ 101	- 42	- 28	+ 155	+ 16	- 2
Deficit on non-merchandise transactions	- 1,133	- 1,237	- 359	- 339	- 145	- 394	- 394
Current account balance	- 433	- 1,136	- 401	- 367	+ 10	- 378	- 396
Capital movements(1)	+ 796	+ 1,293	+ 329	+ 368	+ 216	+ 380	+ 257
Long-term forms	+ 853	+ 608	+ 121	+ 90	+ 214	+ 183	+ 464
Short-term forms	- 57	+ 685	+ 208	+ 278	+ 2	+ 197	- 207
Change in official holdings of gold, foreign exchange, and net balance with International Monetary Fund	+ 363	+ 157	- 72	+ 1	+ 226	+ 2	- 139

(1) Excluding change in official exchange holdings.

The net capital inflow into Canada during the first quarter of 1966 amounted to \$257 million, and there was a net reduction in official Canadian monetary assets of \$139 million. A contributing factor in the first quarter was a special repurchase from United States investors by the Government of Canada of some \$40 million of its outstanding obligations. An understanding exists between the Canadian and United States authorities that a reduction in the level of Canadian reserves would be undertaken. The results were achieved despite the effects of the joint request by the Canadian and United States authorities in November of 1965 to Canadian borrowers and their underwriters to defer until 1966 delivery of the proceeds of security issues in the United States. Very substantial amounts which might otherwise have been received earlier were received in the first quarter when the proceeds of new issues sold to non-residents reached \$618 million, but a sharp increase in holdings of foreign currency deposits by residents of Canada - which may of course be related to the security deliveries - was a significant offset to part of the inflow.

Merchandise Trade Balance Improves

Merchandise exports and imports (adjusted for balance of payments use) reached a position of virtual balance in the first quarter of 1966, as compared with an import balance of \$42 million one year before. Merchandise exports advanced more than 21 per cent from \$1,825 million to \$2,213 million between the March quarters of 1965 and 1966, while merchandise imports rose over 18 per cent from \$1,867 million to \$2,215 million.

The surplus of about \$36 million as indicated by the Trade of Canada sources was transformed into a deficit of \$2 million as a result of the usual adjustments for balance of payments purposes.

A reduction of \$13 million from the Trade of Canada export total was ascribable mainly to a timing adjustment for wheat shipments and also to deliveries of aircraft for which payments had been received in earlier quarters. The addition of some \$25 million to the Trade of Canada import total included progress payments on civil aircraft and also on defence goods, offset in part by a delivery of a submarine.

Summary of Current Transactions with the United States, United Kingdom and Other Countries

First Quarter 1965 and 1966, and Change Between the Periods

	1965	1966	Change	1965	1966	Change
	millions of dollars					
	All countries			United States		
Merchandise exports (adjusted)	1,825	2,213	+ 388	1,070	1,355	+ 285
Merchandise imports (adjusted)	1,867	2,215	+ 348	1,377	1,650	+ 273
Balance on merchandise trade	- 42	- 2	+ 40	- 307	- 295	+ 12
Other current receipts	481	523	+ 42	294	323	+ 29
Other current payments	840	917	+ 77	576	616	+ 40
Balance on non-merchandise transactions ...	- 359	- 394	- 35	- 282	- 293	- 11
Total receipts	2,306	2,736	+ 430	1,364	1,678	+ 314
Total payments	2,707	3,132	+ 425	1,953	2,266	+ 313
Current account balance	- 401	- 396	+ 5	- 589	- 588	+ 1
	United Kingdom			Other countries		
Merchandise exports (adjusted)	257	270	+ 13	498	588	+ 90
Merchandise imports (adjusted)	141	149	+ 8	349	416	+ 67
Balance on merchandise trade	+ 116	+ 121	+ 5	+ 149	+ 172	+ 23
Other current receipts	77	75	- 2	110	125	+ 15
Other current payments	91	99	+ 8	173	202	+ 29
Balance on non-merchandise transactions ...	- 14	- 24	- 10	- 63	- 77	- 14
Total receipts	334	345	+ 11	608	713	+ 105
Total payments	232	248	+ 16	522	618	+ 96
Current account balance	+ 102	+ 97	- 5	+ 86	+ 95	+ 9

Roughly 73 per cent of the \$388 million gain in merchandise exports between the first 3 months of 1965 and 1966 took place in trade with the United States, as economic activity continued to expand in that country. Shipments of automobiles, trucks and vehicle parts together, to all foreign markets, increased about \$140 million between the two periods. A large part of this gain, and also of the rise in imports, was the direct outcome of the duty-free trade in automotive equipment under the Canada - United States agreement of January 1965.

Other increases in Canadian exports to all countries were widespread. Advances of over \$30 million each were recorded for shipments of wheat and newsprint. Slightly lower increases occurred in exports of copper and aluminium. Exports of a large number of other commodities such as meat, flour, furs, hides and skins, petroleum, asbestos, lumber, pulp, fertilizers, machinery, aircraft engines and parts rose less substantially. Iron ore, uranium, fabricated steel materials and aircraft are commodities whose deliveries were lower in the March quarter of 1966.

Some 78 per cent of the \$348 million expansion in merchandise imports to \$2,215 million - an even higher share than in the case of exports - originated in Canada's trade with the United States. Commodity details are not yet available for recent months, but industrial materials, automobiles and parts, tractors, machinery, equipment and scientific instruments, and consumer goods were undoubtedly featured among import increases.

Major Items in the Balance on Non-Merchandise Transactions

	First three months				Change in 1966
	1963	1964	1965	1966	
	millions of dollars				
Gold production available for export	+ 41	+ 33	+ 35	+ 34	- 1
Travel expenditures	- 63	- 91	- 89	- 107	- 18
Interest and dividends	- 151	- 171	- 171	- 186	- 15
Freight and shipping	- 11	- 2	- 9	- 8	+ 1
Inheritances and migrants' funds	- 12	- 8	+ 2	+ 9	+ 7
Official contributions	- 15	- 12	- 23	- 33	- 10
All other current transactions	- 101	- 122	- 104	- 103	+ 1
Balance on non-merchandise transactions	- 312	- 373	- 359	- 394	- 35

Deficit on Services and Other Non-merchandise Transactions

Canada's deficit on non-merchandise transactions rose about 10 per cent from \$359 million to \$394 million in the first quarter of 1966. In the same period of 1964, the imbalance was \$373 million. The \$35 million increase between the March quarters of 1965 and 1966 was attributable to travel expenditures, interest and dividends and to official contributions, offset in part by migrants' funds and inheritances.

Net payments on travel account increased \$18 million to \$107 million, the highest first quarter deficit, without allowance for seasonal fluctuations. This resulted from a \$28 million rise in travel payments from \$152 million to \$180 million outweighing a gain in receipts from \$63 million to \$73 million. Of the \$18 million widening in the travel deficit, \$10 million originated in transactions with the United States. Receipts which had been stable at \$53 million in the first 3 months of 1964 and 1965 increased to \$63 million in 1966. With, however, a \$20 million rise in payments to \$133 million, the travel deficit with the United States increased from \$60 million to \$70 million. The first quarter travel deficit with overseas countries has fluctuated within a narrow range in recent years. With the receipts unchanged at \$10 million, while payments increased \$8 million to \$47 million, the deficit widened from \$29 million to \$37 million in the initial quarter of 1966. This overseas deficit compared with \$35 million for the same period of 1964.

Travel Expenditures

	First three months				Change in 1966
	1963	1964	1965	1966	
	millions of dollars				
United States:					
Receipts	46	53	53	63	+ 10
Payments	79	109	113	133	+ 20
Balance	- 33	- 56	- 60	- 70	- 10
Overseas:					
Receipts	5	6	10	10	-
Payments	35	41	39	47	+ 8
Balance	- 30	- 35	- 29	- 37	- 8
All countries:					
Receipts	51	59	63	73	+ 10
Payments	114	150	152	180	+ 28
Balance	- 63	- 91	- 89	- 107	- 18

Net payments of interest and dividends, which had remained unchanged at \$171 million in the first quarters of 1964 and 1965, increased \$15 million to \$186 million in 1966. These amounts represented between nearly 46 per cent and about 47 1/2 per cent of all non-merchandise deficits in the respective quarters. Receipts of interest and dividends were up \$2 million from \$65 million in the first quarter of 1965, while payments rose \$17 million to \$253 million. This increase in payments was distributed \$9 million to interest and \$8 million to dividends. Higher interest payments followed large sales to non-residents in earlier periods of new bonds, particularly corporate issues, which were offset in part by retirements. Dividend payments by Canadian subsidiaries to non-resident parents were higher in 1966, as also were net profits of unincorporated branches, but dividend payments on portfolio investment were lower. Continuing net purchases of Canadian stocks from non-residents have contributed to this decline.

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1963	860	314	546
1964	978	336	642
1965	1,048	374	674
1964 I Q	236	73	163
II Q	209	94	115
III Q	204	72	132
IV Q	329	97	232
1965 I Q	236	77	159
II Q	247	107	140
III Q	224	78	146
IV Q	341	112	229
1966 I Q	253	86	167

and payments as in the case of freight and shipping services, or the estimates remained little changed between the first quarters of 1965 and 1966 as in the cases of gold production available for export and certain components of miscellaneous current transactions.

Seasonally Adjusted Series of Current Account Transactions

In this issue new data are introduced showing seasonally adjusted series of current account transactions to assist users in analysing trends. Similar data are not produced for capital movements or sources of financing as transactions of this kind are highly irregular. In using the new series users should bear in mind that current account transactions, too, may at times be subject to special and irregular influences such as industrial disputes, changes in taxes and in other administrative regulations, new contracts, productive capacity and industrial arrangements, and the changing incidence of the calendar, public holidays, and the opening of navigation.

In the first quarter of the year there is normally a smaller flow of commodity trade than in subsequent months with exports usually being influenced more relatively in this pattern than imports. The application of the seasonal adjustment technique thus is to increase exports more than imports in this quarter. This year there were also several special factors which contributed to making the merchandise balance exceptionally favourable in the first quarter of 1966. A strike in the trucking industry in Ontario retarded the flow of imports from the United States more than exports. Under the stimulus of the Automotive Free Trade Agreement, the increase between the first quarters of 1965 and 1966 in exports of cars, trucks and parts to the United States topped \$140 million, and this gain alone is large enough to account for much of the export rise. There also appears to have been a substantial rise in imports of vehicles and parts from the United States, but precise figures are not yet available. The eventual seasonal patterns of these new movements in automobiles and parts are not yet known.

The seasonally adjusted estimates, shown below, are at quarterly rates and include migrants' funds and inheritances, which are given in the footnotes to the statement. The estimates of exports and imports of goods and services, seasonally adjusted, which are featured in the National Accounts report (Cat. No. 13-001), are given at annual rates and exclude migrants' funds and inheritances.

At \$187 million, seasonally adjusted at quarterly rates, the current account deficit for the first quarter of 1966 was about one-half the estimate of \$375 million for the preceding quarter, which was at a peak level in 1965 and in recent years. Total payments for goods and services of \$3,393 million in the first quarter stood at a level only about 1 per cent above the estimate of \$3,356 million in the December quarter. Total current receipts, on the other hand, rose 7 1/2 per cent from \$2,981 million to \$3,206 million between the two most recent periods. These receipts, after allowance for regular seasonal fluctuations, had grown some 3 per cent in successive 3-month periods following the first quarter of 1965. Total payments, which had increased roughly 3 1/2 per cent in the two middle quarters of 1965, rose 6 1/2 per cent in the final quarter of the year. This substantial increase and the sharp gain in the first quarter 1966 in total current receipts were attributable to merchandise trade. Seasonally adjusted merchandise imports rose about 9 per cent in the fourth quarter of 1965, an merchandise exports, similarly adjusted, advanced over 7 per cent in the following quarter.

Up \$10 million over the first quarter of 1965, official contributions of \$33 million in 1966 reached a record level in recent years. Commodity donations (in particular, wheat flour) under the World Food Program were much higher in the March quarter of 1966, as were contributions, but more moderately, under the traditional bilateral aid programs.

Net receipts of migrants' funds and inheritances increased from \$2 million to \$9 million due to a \$6 million fall in payments to \$34 million combined with a \$1 million rise in receipts to \$43 million. Lower payments resulted from a drop in the number of Canadian emigrants to the United States following introduction of new visa regulations in December 1965. Offsetting influences probably also prevailed from a change in the demographic and economic characteristics of the migrants.

Other items contributed only slightly to the overall change in the deficit on "invisibles". Either similar increases occurred in both receipts

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

		Goods			Services			Total receipts	Total payments	Current account balance
		Exports	Imports	Balance	Receipts(1)	Payments(2)	Balance			
millions of dollars										
1965	I Q ..	2,067	2,030	+ 37	641	916	- 275	2,708	2,946	- 238
	II Q ..	2,138	2,078	+ 60	658	971	- 313	2,796	3,049	- 253
	III Q ..	2,203	2,163	+ 40	679	989	- 310	2,882	3,152	- 270
	IV Q ..	2,329	2,365	- 36	652	991	- 339	2,981	3,356	- 375
	Year ...	8,737	8,636	+ 101	2,630	3,867	- 1,237	11,367	12,503	- 1,136
1966	I Q ..	2,503	2,393	+ 110	703	1,000	- 297	3,206	3,393	- 187

(1) Including immigrants' funds and inheritances: 52, 53, 53, 53 and 53.

(2) Including emigrants' funds and inheritances: 49, 51, 54, 52 and 41.

The deficit on non-merchandise transactions dipped below \$300 million, seasonally adjusted at quarterly rates, in the first quarter of 1966 from approximately \$340 million in the preceding quarter. Receipts on "invisibles" rose nearly 8 per cent from \$652 million to \$703 million, while payments were only a shade higher at \$1,000 million. Well over 40 per cent of the gain in receipts originated from travel; and interest and dividends and freight and shipping transactions together accounted for about another 50 per cent of the increase. On the payments side, travel, freight and shipping services rose, while emigrants' funds and interest and dividends declined from the fourth quarter of 1965.

Transactions by Areas

In transactions with the United States on current goods and services, total receipts advanced \$314 million, or 23 per cent, from \$1,364 million in the first quarter of 1965 to \$1,678 million in 1966. Total payments increased \$313 million, or 16 per cent, from \$1,953 million to \$2,266 million. The current account deficit in consequence narrowed \$1 million to \$588 million.

Merchandise exports advanced \$285 million, or more than 26 per cent, from \$1,070 million to \$1,355 million, while merchandise imports were up \$273 million, or nearly 20 per cent, from \$1,377 million to \$1,650 million in the first quarter of 1966. The import balance accordingly contracted \$12 million from \$307 million to \$295 million. Some highlights on commodity changes generally were referred to earlier. More than half of the rise in exports was concentrated in automobiles and parts, and prominent portions of the remainder were made up of newsprint and metals.

The \$12 million decline in the merchandise deficit was almost counterbalanced by an expansion of \$11 million in net payments on non-merchandise transactions to \$293 million in the first 3 months of 1966, which was almost entirely attributable to the rise in the travel deficit from \$60 million to \$70 million, described before. Transactions in interest and dividends and in freight and shipping services contributed equally to a \$10 million deterioration. A reduction of nearly the same proportion occurred in net payments of migrants' funds and inheritances for the reasons mentioned earlier. Small and generally offsetting changes occurred in the balances of other non-merchandise items.

A rise of \$11 million in total current receipts from the United Kingdom from \$334 million to \$345 million was exceeded by an increase of \$16 million in total payments from \$232 million to \$248 million. The decline of \$5 million in the current account surplus to \$97 million originated in non-merchandise transactions, as the merchandise surplus rose \$5 million to \$121 million. The increase in merchandise exports from \$257 million to \$270 million was larger by \$5 million than the rise in merchandise imports from \$141 million to \$149 million. As shipments of wheat were down somewhat, the overall gain in exports encompassed industrial materials and manufactured goods. A small decline in receipts together with a slight rise in payments of interest and dividends accounted for most of the \$10 million expansion in the "invisible" deficit. The changes in the balances of other non-merchandise items were small and nearly offsetting.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1963	- 348	- 345	- 60	- 409	- 1,162
1964	- 549	- 512	- 115	- 479	- 1,655
1965	- 589	- 536	- 180	- 626	- 1,931
1966	- 588				
United Kingdom:					
1963	+ 81	+ 116	+ 97	+ 120	+ 414
1964	+ 90	+ 152	+ 160	+ 205	+ 607
1965	+ 102	+ 140	+ 122	+ 132	+ 496
1966	+ 97				
Other countries:					
1963	+ 29	+ 20	- 13	+ 170	+ 206
1964	+ 121	+ 212	+ 169	+ 113	+ 615
1965	+ 86	+ 29	+ 68	+ 116	+ 299
1966	+ 95				

funds were in part offset by an improved balance on freight and shipping transactions and expenditures at the Expo 67 site by foreign governments.

With a \$23 million expansion in the merchandise surplus with other countries from \$149 million to \$172 million, offset in part by a \$14 million increase in the non-merchandise deficit to \$77 million, Canada's current account surplus widened from \$86 million to \$95 million in the first quarter of 1966. Most of the \$90 million gain in merchandise exports to other countries from \$498 million to \$588 million occurred with countries other than those in the sterling area or in the OECD group of countries in Europe. Shipments of wheat to Mainland China and on Russian account, which were together nearly \$50 million higher in the first 3 months of 1966, were an important factor in the export rise. Exports of crude and fabricated industrial materials were also considerably higher. Merchandise imports were up \$67 million or 19 per cent from \$349 million to \$416 million. The increase of \$10 million in official contributions and less favourable balances on travel, investment income and migrants'

Financing of Canada's Bilateral Account with the United States

	1963	1964	1965	1965				1966
				I Q	II Q	III Q	IV Q	I Q
	millions of dollars							
<u>Transaction with the United States(1)</u>								
Current account balance	- 1,316	- 1,800	- 2,069	- 624	- 570	- 215	- 660	- 622
Capital movements in long-term forms	+ 843	+ 1,087	+ 840	+ 178	+ 157	+ 271	+ 234	+ 536
Capital movements in short-term forms(2)	+ 7	+ 668	- 372	- 177	- 150	- 288	+ 243	- 18
Total	- 466	- 45	- 1,601	- 623	- 563	- 232	- 183	- 104
<u>Financing</u>								
Transactions with rest of world:								
Current account balance	+ 620	+ 1,222	+ 795	+ 188	+ 169	+ 190	+ 248	+ 192
Capital movements in long-term forms	- 206	- 234	- 232	- 57	- 67	- 57	- 51	- 72
Capital movements in short-term forms(2)	+ 44	- 725	+ 1,057	+ 385	+ 428	+ 290	- 46	- 189
Sub-total	+ 458	+ 263	+ 1,620	+ 516	+ 530	+ 423	+ 151	- 69
Gold production available for export	+ 154	+ 145	+ 138	+ 35	+ 34	+ 35	+ 34	+ 34
Increase (-) in official Canadian holdings of gold, foreign exchange, net asset with the IMF, etc.	- 146	- 363	- 157	+ 72	- 1	- 226	- 2	+ 139
Total	+ 466	+ 45	+ 1,601	+ 623	+ 563	+ 232	+ 183	+ 104

- (1) Excluding gold production available for export and changes in official monetary assets, shown with financing.
- (2) There is a discontinuity at the end of 1963 in the allocation bilaterally of capital movements in short-term forms, implying accumulated earlier net overstatements of inflows from the United States and corresponding net understatements of inflows from the rest of the world of the order of \$200 million.

Canada's current account deficit with the United States in the first quarter of 1966 (excluding gold production available for export, which is conventionally attributed to the United States account) was \$622 million. Capital movements in long-term forms between the two countries produced an inflow of \$536 million, but an outflow from Canada of \$18 million was indicated from transactions in short-term forms (apart from changes in official holdings of gold and United States dollars). The very substantial inflow in long-term forms reflected inter alia a net reduction of \$229 million in undelivered new issues of Canadian bonds. In sum, these transactions with the United States gave rise to net payments by Canada of \$104 million. This amount represented a considerable reduction from the extraordinarily large imbalances recorded through 1965. It was nevertheless higher than for many earlier quarters and indicated a continuing positive contribution by transactions with Canada to the balance of payments position of the United States.

With the United Kingdom and other overseas countries there were also net payments by Canada for the first quarter since 1964. The net current account surplus of \$192 million was less than net capital outflows from Canada aggregating \$261 million. More than half of this outflow represented the net withdrawal from the Canadian banking system of foreign currency deposits by overseas customers.

These imbalances of \$104 million with the United States and \$69 million with overseas countries were financed by a net reduction of \$139 million in official holdings of gold, foreign exchange, and IMF balances, and by Canadian gold production of \$34 million.

While the net spot holdings of foreign currency assets by the Chartered Banks were little changed during the quarter, rising by only \$10 million on a transactions basis, claims on residents of the United States fell by \$183 million, and liabilities to them by \$156 million. With overseas countries assets fell by \$54 million while liabilities fell \$205 million. Foreign currency claims on Canadians increased by \$66 million and liabilities rose \$180 million, the latter probably reflecting in part the delayed conversion of the proceeds of new issues delivered during the quarter. Thus the net change of \$10 million reflected declines of net assets of \$27 million and \$114 million respectively with residents of the United States and of Canada, and an increase of \$151 million in net assets with residents of overseas countries.

Abstracting the net outward transactions of \$124 million with non-residents by or through the Canadian banking system, all other capital movements in the first quarter produced \$381 million made up of \$491 million from the United States less \$110 million to overseas countries.

Capital Movements

Summary	1964	1965	1965				1966
			I Q	II Q	III Q	IV Q	I Q
millions of dollars							
Capital movements in long-term forms	+ 853	+ 608	+ 121	+ 90	+ 214	+ 183	+ 464
Capital movements in short-term forms(1)	- 57	+ 685	+ 208	+ 278	+ 2	+ 197	- 207
Balance on goods and services	- 433	- 1,136	- 401	- 367	+ 10	- 378	- 396
Change in official holdings of gold, foreign exchange, and net balance with the International Monetary Fund	+ 363	+ 157	- 72	+ 1	+ 226	+ 2	- 139

(1) Excluding items in final line.

The net capital inflow into Canada (apart from official monetary movements shown separately in the balance of payments statements) totalled \$257 million in the first quarter of 1966 compared with \$329 million a year earlier. With the deficit on current account varying only slightly in the two quarters, the decline in official monetary assets increased to \$139 million from \$72 million.

There were dramatic shifts in the composition of capital flows. Inflows in long-term forms rose from \$121 million in the first quarter of 1965 to \$464 million a year later. Some \$326 million of the change reflected increased receipts from portfolio security transactions. It will be recalled that in the fourth quarter of 1965 arrangements were made to defer until 1966 deliveries of Canadian new issues in the United States market. Some special interest may therefore attach to the statement comparing actual inflows in long-term forms with series adjusted to reflect the timing of security offerings.

Capital Movements in Long-Term Forms

Period		Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars			
1963		+ 637	+ 426
1964		+ 853	+ 782
1965		+ 608	+ 880
1964	I Q	- 15	- 49
	II Q	+ 152	+ 96
	III Q	+ 223	+ 429
	IV Q	+ 493	+ 306
1965	I Q	+ 121	+ 205
	II Q	+ 90	+ 57
	III Q	+ 214	+ 311
	IV Q	+ 183	+ 307
1966	I Q	+ 464	+ 235

This shows that undelivered issues rose by \$124 million during the fourth quarter of 1965 and fell by \$229 million in the first quarter of 1966. Had all sales been delivered in the quarter in which they were offered the inflow in long-term forms in the first quarter of 1966 would have been \$235 million, equivalent to 59 per cent of the deficit on current account.

Capital movements in short-term forms, which had resulted in an inflow of \$208 million in the first quarter of 1965, resulted in an outflow of roughly the same magnitude in the first quarter of 1966, a swing of \$415 million. (Movements in the final quarter of 1965 and the first quarter of 1966 were also largely offsetting in total, although this was not the case with respect to the component items). The largest part of the change reflected the accumulation by residents of Canada in the first quarter of 1966 of substantial deposits in foreign currency, while a year earlier these foreign assets had been sharply reduced.

Direct Investment

The net capital inflow for direct investment in foreign controlled enterprises in Canada rose sharply during the quarter to an estimated \$120 million, some \$20 million higher than last quarter's inflow. Over 80 per cent of this quarter's inflow came from the United States.

There was a slight shift in the industrial allocation of the inflow, with greater emphasis being given to the petroleum and natural gas industries which received over half of the net investment. The mining and manufacturing industries, however, continued to receive substantial amounts.

Canadian direct investment abroad produced an outflow of \$20 million, most of which was channelled into the finance industry, aluminium production and shipping. The bulk of the net outflow went to the United States, while the United Kingdom also received a significant amount.

Security Transactions

There was a sharp increase in the net capital inflow arising from Canada's international transactions in portfolio securities during the first quarter of 1966. The net inflow of capital at \$418 million was almost four times as large as the inflow of \$108 million registered for the last quarter of 1965. Net sales of Canadian securities reached the high level of \$488 million, while net purchases of foreign securities also increased to \$70 million.

New Issues of Canadian Bonds Sold to United States Residents

Period		Offerings	Deliveries	Un-delivered(1)
millions of dollars				
1964	Year	983	1,054	51
1965	"	1,347	1,075	323
1965	I Q	339	255	135
	II Q	265	298	102
	III Q	387	290	199
	IV Q	356	232	323
1966	I Q	336	565	94

(1) At end of period.

New issues of Canadian securities were again the dominant feature of trading with sales for the first quarter climbing to a record high of \$618 million, or more than double last quarter's figure of \$250 million. A substantial increase in new bond issues of corporations to \$370 million was the major factor in this movement. Deliveries of prior offerings of new bond issues sold to United States residents were unusually large at \$323 million. Included in this amount was the large volume of new issues which were placed on the New York capital market in the last quarter of 1965 but whose delivery was deferred until 1966. The net outflow for the repatriation of outstanding Canadian equities fell sharply to \$13 million from the \$62 million recorded last quarter, while

retirements of Canadian securities held abroad at \$106 million showed an increase of \$32 million over retirements in the last quarter of 1965. This was more than accounted for by the Government of Canada's exceptional repurchase of some \$40 million of its outstanding bonds from United States residents in January which for the purposes of this report has been treated as a retirement.

Detail of Transactions in Foreign Securities

Items - D6, 7, 8

Item	1965				1966
	I Q	II Q	III Q	IV Q	I Q
millions of dollars					
Outstanding issues ..	- 11	- 13	- 16	- 2	- 46
New issues	- 27	- 6	- 8	- 13	- 27
Retirements	+ 3	+ 14	+ 2	+ 3	+ 3

(A minus sign indicates an outflow of capital from Canada.)

Other Capital Flows in Long-Term Forms

Detail of Long-term Capital Transactions n.i.e.

Item D13

Year and quarter	Export credits(1)	Finance companies(2)	Other	Total
millions of dollars				
1963	- 72	11	75	14
1964	- 164	5	162	3
1965	- 185	- 3	8	- 180
1964 I Q ...	- 31	5	2	- 24
II Q ...	- 52	14	26	- 12
III Q ...	- 46	- 18	98	34
IV Q ...	- 35	4	36	5
1965 I Q ...	- 43	- 1	33	- 11
II Q ...	- 60	- 6	- 19	- 85
III Q ...	- 53	4	- 17	- 66
IV Q ...	- 29	-	11	- 18
1966 I Q ...	- 39	-	- 10	- 49

(1) Export credits from Canada directly or indirectly at risk of the Government of Canada.

(2) Finance company borrowing not included in items D1, 3, 4, 5, 17.3 or 17.4.

Capital Movements in Short-Term Forms

After four successive quarterly inflows, capital movements in short-term forms in the first quarter of 1966 led to a net outflow of \$207 million, on balance mainly to overseas countries.

Transactions in foreign securities during the first quarter led to an unusually large net capital outflow of \$70 million. Canadian purchases of foreign new issues, which included a new offering in Canadian currency by an international institution, reached \$27 million and net acquisitions of outstanding securities rose to a record level of \$46 million. Net purchases of outstanding United States bonds, which, it will be noted, include so-called "offshore" borrowings by United States companies, approximated \$7 million, while net purchases of outstanding United States equities, were particularly high at \$40 million. The retirement of foreign securities held in Canada produced an inflow of \$3 million.

Disbursements by the Canadian government under intergovernmental loan programs and for subscription payments to international institutions aggregated \$6 million in the first quarter of 1966. Repayments of principal on earlier loans totalled just over \$1 million.

Outflows during the quarter representing the financing of exports directly or indirectly at the risk of the Government of Canada amounted to \$39 million. Wheat exports to the Sino-Soviet bloc accounted for a substantial portion of the total while amounts to Commonwealth and Latin American countries were also significant. These credits are long-term under balance of payments conventions (extending for a period of more than one year), but significant parts would, in commercial parlance, be regarded as medium-term.

All other transactions in long-term forms in the first quarter led to a net outflow of \$10 million. Net repayments of loans from foreign banks resulted in a significant outflow in this period. Also contributing to the outflow were transactions associated with the financing of private long-term trade credits.

Non-resident holdings of Canadian dollars fell by \$29 million in the period under review, a swing of \$86 million from the net increase of \$57 million recorded in the last quarter of 1965. About one-half of the outflow was accounted for by a decrease in non-resident holdings of Canadian dollar deposits. Declines of roughly the same amounts recorded for demand liabilities of the Government of Canada to non-residents and for foreign-owned holdings of treasury bills accounted for the remaining outflow. Canadian dollar liabilities to all geographic areas were reduced with almost one-half of the total outflow going to overseas countries other than the United Kingdom and almost one-third to the United States.

Of the groups of capital movements specified separately in the supplementary statement covering "Other Capital Movements", which in total resulted in a capital outflow of \$178 million, the largest change was in Canadian holdings of bank balances and other short-term funds abroad (excluding official reserves). The outflow to augment these holdings, the third in succession, amounted to \$165 million.

During the quarter short-term interest rates in both Canada and the United States, as measured by treasury bill yields, were at historically high levels. The largest volume of international money market transactions continued to be in the short-term paper of Canadian finance companies (including the financing subsidiaries of manufacturing and retail enterprises). After five successive quarterly outflows aggregating almost \$200 million the pattern was reversed by an inflow of \$17 million.

Composition of "Other Capital Movements"
(A minus sign indicates an outflow of capital from Canada)

Transactions with all countries		1964	1965	1965				1966
				I Q	II Q	III Q	IV Q	I Q
millions of dollars								
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	- 526	+ 136	+ 170	+ 140	- 73	- 101	- 165
17.2	Canadian commercial paper	- 11	+ 11	-	+ 7	+ 4	-	- 1
17.3	Canadian finance paper	+ 196	- 179	- 38	- 7	- 65	- 69	+ 17
17.4	Canadian finance company obligations, n.i.e. ..	+ 52	+ 205	+ 25	+ 99	+ 89	- 8	+ 35
17.5	All other transactions(1)	+ 220	+ 468	- 13	+ 90	+ 73	+ 318	- 64
Total (Item D 17)		- 69	+ 641	+ 144	+ 329	+ 28	+ 140	- 178

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

Transactions in other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies) resulted in a net inflow of \$35 million, following the less usual outflow of \$8 million recorded in the fourth quarter of 1965. Other finance company transactions which are not identified as a group are included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. The total of all international capital transactions of these companies led to a net inflow of \$100 million in the first quarter of 1966. International transactions in Canadian commercial paper resulted in a net capital outflow of \$1 million.

All other transactions led to a net capital outflow of \$64 million. Included in this outflow would be some reversal of the increased short-term payables which were associated with the seasonally high level of imports in the fourth quarter of 1965.

Official Holdings of Gold and Foreign Exchange and Canada's Balance with the IMF

Official holdings of gold and foreign exchange fell during the first quarter but there was some increase in Canada's balance with the International Monetary Fund, so that Canada's net international monetary assets in these forms fell on balance by \$139 million. During the fourth quarter of 1965 they had increased by \$2 million, while in the first quarter of 1966 a decrease of \$72 million was recorded.

The decrease in official holdings of gold and United States dollars during the quarter amounted to \$166 million, expressed in Canadian funds, while corresponding holdings of sterling, which are con-

financed to working balances, were little changed. Official holdings of gold and United States dollars expressed in terms of United States funds, amounted to \$2,510 million at March 31, 1966. This was \$155 million lower than at the beginning of the year. Declines occurred in each month. During each of the months of January and February the Exchange Fund account sold \$50 million of gold to the United States. When announcing these transactions the Minister of Finance noted that the proportion of gold in Canada's reserves had increased substantially in 1965 and said he had come to the conclusion that Canada could afford to sell some of its gold and invest the proceeds in short-term interest-bearing foreign exchange assets. The Minister stated these sales would constitute a modest contribution to an improvement in the international liquidity situation and in the position of the United States. These transactions by themselves did not, of course, affect the total level of Canada's official holdings of gold and foreign exchange.

Canada's so-called "gold tranche position" with the IMF, together with loans made under the General Arrangements to Borrow, amounted to \$378.9 million, expressed in United States funds, at the end of the quarter, having increased by \$25.5 million during the quarter. The total represents the net resources made available by Canada to the IMF and may be drawn by Canada virtually automatically on statement of balance of payments need, although Canada would then be under an obligation to restore the figure to 25 per cent of its quota which is currently \$550 million, i.e. to \$137.5 million.

Contributing to the change in Canada's balance with the IMF were drawings of Canadian dollars by other countries aggregating the equivalent of \$181.0 million in United States funds, and repurchases by them of their own currencies with Canadian currency equivalent to \$155.5 million in United States funds. Prominent among the drawings was an amount of \$100 million acquired in January by the United States. In March it was announced that the United States had arranged to draw from the IMF over a period ending June 1, 1966 the Canadian dollar equivalent of \$90 million in United States funds of which \$60 million were to be drawn immediately. These transactions were part of a series of drawings of Canadian and European currencies which have been made by the United States to exchange the currencies obtained for United States dollars held by members wishing to make repayments to the IMF. The IMF's Articles of Agreement stipulate that it may accept repayments from its members in gold or in convertible currencies of which the IMF's holdings are less than 75 per cent of quota. Since early in 1964 the IMF's holdings of United States dollars have exceeded 75 per cent of the United States quota in the IMF and thus other members have been precluded from making repayments in United States dollars. Insofar as Canada is concerned these transactions are largely technical having no lasting effect on Canada's balance of payments since the repayments of Canadian dollars to the IMF by other countries offset the drawings of Canadian dollars from it by the United States.

It will be recalled that early in December 1965 the Minister of Finance said that he expected Canada's exchange reserves (including its creditor position with the IMF) to fall during 1966 below the mid-1963 level used as a base in the arrangements made between Canada and the United States when the Interest Equalization Tax was proposed in July 1963. The Canadian Government had indicated to the United States authorities that it was prepared, if necessary, under the authority of the Financial Administration Act, to buy its own outstanding obligations owned in the United States to offset any excess flow of United States capital to Canada. Thus, instead of adding to United States assets in Canadian exchange holdings, Canada would reduce its liabilities to the United States. Conversely, it was noted that if the volume of borrowing by other Canadians was not sufficient to meet balance of payments needs, the Government itself would arrange to borrow in the United States. In this way Canada's foreign exchange reserves could be maintained at around the desired level without interfering either with trade or with the normal use of United States long-term capital markets by Canadian borrowers.

Reporting to the House of Commons in January, the Minister noted that while Canadian reserves must be expected to fluctuate from month to month, the Canadian Government would consider it appropriate that such fluctuations take place at a figure somewhat lower than the mid-1963 figure, say, approximately \$2,600 million in United States funds. During January 1966 the Government repurchased, under these arrangements, about \$40 million of its outstanding United States dollar bonds which were held in the United States. This purchase, the Minister said, was consistent with the exchange arrangements but was also intended, in considerable part, to improve the market for the sale of other Canadian issues in the United States when there appeared likely to be a large volume of such issues scheduled for delivery. These special repurchases have been recorded in the balance of payments statistics as retirements of foreign-held Canadian bonds.

Canada's official holdings of gold and foreign exchange, together with Canada's net creditor position in the International Monetary Fund (Canada's balance with the IMF less the Canadian quota subscription payment in gold of \$137.5 million), amounted at the end of the quarter to \$2,751 million expressed in United States currency. This represented a reduction of some \$129 million from the beginning of the year. It will be noted that receipts during the first quarter were affected by deliveries of new issues of Canadian securities which had been deferred during the fourth quarter at the joint request of

the Canadian and United States governments. During the first quarter undelivered sales of new Canadian issues to residents of the United States were reduced by \$229 million in terms of Canadian funds, of which about \$40 million was offset by the special repatriation already referred to.

United States Dollar in Canada						Exchange holdings and IMF Balance		
Period		High	Low	Close	Noon average	End of period	Official holdings of gold and United States dollars	Net balance with International Monetary Fund
Canadian cents						millions of United States dollars		
1964	I Q	108.09	107.94	108.06	108.02	1964 I Q	2,466	20
	II Q	108.25	108.03	108.13	108.09	II Q	2,534	25
	III Q	108.22	107.50	107.50	107.87	III Q	2,625	80
	IV Q	107.63	107.25	107.38	107.46	IV Q	2,674	197
1965	I Q	108.44	107.31	107.97	107.71	1965 I Q	2,554	240
	II Q	108.38	107.72	108.34	108.04	II Q	2,480	327
	III Q	108.50	107.53	107.59	107.94	III Q	2,614	403
	IV Q	107.78	107.38	107.50	107.53	IV Q	2,665	353
1966	I Q	107.81	107.34	107.72	107.58	1966 I Q	2,510	379
						January	2,562	414
						February	2,548	384
						March	2,510	379

Note: The table of exchange holdings does not include holdings of the Government of Canada at March 31, 1966 of \$174 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions			Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)	Total assets	Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold	Total liabi- lities	
	millions of United States dollars								
1947-61	550.0		550.0	412.5		- 99.6	25.0	337.9	- 212.1
1962			550.0		300.0	50.3		688.2	- 138.2
1963			550.0		- 79.7			608.5	- 58.5
1964		15.0	565.0	15.0	- 166.0	- 99.0	9.0	367.5	197.5
1965		35.0	600.0	35.0		- 183.4	27.5	246.6	353.4
1966 I Q			600.0			- 25.5		221.1	378.9

(1) This is a cumulative measure of the net resources provided by Canada to the IMF. The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents the so-called "gold tranche position" plus borrowing under the General Arrangements to Borrow (GAB). This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of the Quota.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

SUPPLEMENT

Estimates of foreign ownership and control
of selected Canadian industries
at the end of 1963

The main balance of payments
tables will be found on
pages 18 and 19

Foreign Ownership and Control of Canadian Industry

Estimates of the book value of total investment in selected Canadian industries have now been completed for the end of 1963 and permit the calculation of new ratios of foreign ownership and control. The data for the years 1961 to 1963 appear in the accompanying statements which also show 1954, the earliest year for which data compiled on the current basis are available.

It should be noted that in these series "ownership" refers to the total of long-term capital employed within Canada in the particular industrial group. It applies, therefore, to the ownership of obligations as well as of equities of the individual enterprises(1). The term "control" relates to the aggregate long-term investment in Canada in companies whose principal owners are non-residents. The concept is a measure of relationships, implying potential control rather than the degree of autonomy exercised. More complete descriptions of the concepts and statistics will be found in the annual reports for 1960 and 1961-62 on the Canadian balance of international payments and international investment position. (DBS Catalogue No. 67-201).

Canadian-owned and Canadian-controlled investments in manufacturing enterprises and in petroleum and natural gas both grew less in 1963 than foreign. Foreign ownership and control as proportions of total manufacturing remained, however, unchanged at 54 per cent and 60 per cent respectively. In the petroleum and natural gas industry foreign ownership rose about 1 percentage point to 64 per cent while foreign control remained relatively unchanged at 74 per cent. Foreign ownership in the Canadian mining and smelting industry declined 1 percentage point to 62 per cent but foreign control rose 1 percentage point to 59 per cent. These divergent movements reflected the repatriation of foreign portfolio investment in Canadian controlled mines, and the continued growth of some major foreign controlled enterprises. Foreign ownership and control of Canadian railways remained relatively unchanged at 23 per cent and 2 per cent. Foreign ownership and control of other utilities also remained relatively unchanged at 13 per cent and 4 per cent respectively.

Taking into account all the foregoing industries and also merchandising and construction, both foreign ownership and control were relatively unchanged through 1963 at 35 per cent and 34 per cent respectively. All of these figures take account of investment in government enterprises in Canada. The Canadian controlled percentage of the whole group of industries, amounting to 66 per cent in 1963, included some 24 percentage points represented by investments of the public sector. Most of these investments are to be found in railways and other utilities.

It should again be emphasized that there are broad areas of national wealth not covered in the series, in most of which non-resident ownership and control is relatively small.

- (1) These series fall considerably short of the gross assets of the constituent companies because of the existence of short-term liabilities, and the omission both of assets outside Canada and of intercorporate assets.

Foreign Ownership and Control of Canadian Industry(1)

Industry classification	Non-resident ownership as a percentage of selected Canadian industries				Non-resident control as a percentage of selected Canadian industries			
	1954	1961	1962 ^r	1963	1954	1961	1962 ^r	1963
Percentage of total owned or controlled by all non-residents:								
Manufacturing	47	54	54	54	51	59	60	60
Petroleum and natural gas	60	63	63	64	69	72	74	74
Mining and smelting	53	62	63	62	51	59	58	59
Railways	35	25	23	23	2	2	2	2
Other utilities	14	13	13	13	8	5	4	4
Total of above industries and merchandising	32	35	35	35	28	33	34	34
Percentage of total owned or controlled by United States residents:								
Manufacturing	37	43	43	44	42	45	45	46
Petroleum and natural gas	57	54	53	54	67	63	63	62
Mining and smelting	47	54	55	54	49	52	52	52
Railways	15	9	9	9	2	2	2	2
Other utilities	12	11	11	12	7	4	4	4
Total of above industries and merchandising	25	27	28	28	24	26	27	27

- (1) For earlier years see Tables XII and XIV, The Canadian Balance of International Payments 1961 and 1962 and International Investment Position.

^r Revised figures.

Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries,
Selected Year Ends(1)

Industry classification	Total capital(2) employed				Resident owned capital			
	1954	1961	1962 ^r	1963	1954	1961	1962 ^r	1963
billions of dollars								
Manufacturing	8.3	12.7	13.1	13.7	4.4	5.9	6.0	6.2
Petroleum and natural gas	2.5	6.4	6.9	7.3	1.0	2.4	2.5	2.6
Other mining and smelting	1.9	3.4	3.6	3.8	0.9	1.3	1.3	1.5
Railways	4.1	5.4	5.4	5.3	2.7	4.0	4.1	4.1
Other utilities	5.3	10.3	10.6	12.2	4.6	9.0	9.2	10.6
Merchandising(3) and construction	6.1	9.4	9.5	9.8	5.5	8.5	8.5	8.8
Total of above	28.2	47.6	49.2	52.1	19.1	31.1	31.8	33.8
Non-resident owned capital(4)				United States owned investments(4)				
	1954	1961	1962 ^r	1963	1954	1961	1962 ^r	1963
Manufacturing	3.9	6.8	7.1	7.4	3.1	5.4	5.7	6.0
Petroleum and natural gas	1.5	4.0	4.4	4.7	1.4	3.4	3.7	3.9
Other mining and smelting	1.0	2.1	2.3	2.3	0.9	1.8	2.0	2.1
Railways	1.4	1.4	1.3	1.2	0.6	0.5	0.5	0.5
Other utilities	0.7	1.3	1.3	1.5	0.6	1.1	1.2	1.4
Merchandising and construction	0.6	0.9	1.0	1.0	0.4	0.6	0.7	0.7
Total of above	9.1	16.5	17.4	18.3	7.0	12.9	13.6	14.6
Total Canadian and external investment in companies controlled outside Canada				Total Canadian and external investment in companies con- trolled in the United States				
	1954	1961	1962 ^r	1963	1954	1961	1962 ^r	1963
Manufacturing	4.3	7.5	7.8	8.2	3.5	5.7	5.9	6.3
Petroleum and natural gas	1.7	4.7	5.1	5.4	1.7	4.0	4.3	4.6
Other mining and smelting	1.0	2.0	2.1	2.3	0.9	1.8	1.9	2.0
Railways	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other utilities	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Merchandising and construction	0.5	1.1	1.1	1.1	0.4	0.6	0.6	0.7
Total of above	8.0	15.7	16.7	17.6	6.9	12.6	13.2	14.0

(1) For 1955 through 1960 see Table XVI, The Canadian Balance of International Payments 1961 and 1962 and International Investment Position.

(2) Estimated from "Taxation Statistics" and other sources.

(3) Estimates of capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating broad relative magnitudes only.

(4) Figures shown are in some cases somewhat larger than corresponding data in statements of foreign investments in Canada. "Other enterprises" have been included with manufacturing, and some funded debt of governments and municipalities relevant to undertakings in "Other utilities" has also been included.

^r Revised figures.

Note: Because of rounding and of possible statistical shortcomings in parts of the series, some of the year-to-year changes derived from the table may have only limited significance and may from time to time be misleading.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1965 are preliminary and data for 1964 are subject to revision
1966

		1964			
No.		I	II	III	IV
		millions of dollars			
A	Current receipts:				
1	Merchandise exports (adjusted)	1,730	2,198	2,182	2,130
3	Gold production available for export	33	41	36	35
4	Travel expenditures	59	140	351	112
5	Interest and dividends	65	56	51	141
6	Freight and shipping	135	165	176	169
7	Inheritances and immigrants' funds	32	43	50	44
11	All other current receipts	122	124	126	130
12	Total current receipts	2,176	2,767	2,972	2,761
B	Current payments:				
1	Merchandise imports (adjusted)	1,695	2,048	1,828	1,969
4	Travel expenditures	150	187	238	137
5	Interest and dividends	236	209	204	329
6	Freight and shipping	137	176	189	183
7	Inheritances and emigrants' funds	40	45	53	52
9	Official contributions	12	16	22	19
11	All other current payments	244	234	224	233
12	Total current payments	2,514	2,915	2,758	2,922
C	Current account balance:				
1	Merchandise trade	+ 35	+ 150	+ 354	+ 161
2	Other transactions, excluding B 9	- 361	- 282	- 118	- 303
3	Official contributions	- 12	- 16	- 22	- 19
4	Total	- 338	- 148	+ 214	- 161
D	Capital account:				
	Direct investment:				
1	Direct investment in Canada	+ 69	+ 44	+ 52	+ 90
2	Direct investment abroad	- 44	- 68	- 3	- 25
	Canadian securities:				
3.1	Trade in outstanding bonds and debentures	+ 4	+ 14	+ 37	+ 22
3.2	Trade in outstanding common and preference stocks	- 44	- 8	- 5	- 40
4	New issues	+ 138	+ 318	+ 117	+ 550
5	Retirements	- 109	- 100	- 57	- 92
6,7,8	Foreign securities	- 7	- 38	- 7	- 11
	Loans and capital subscriptions by Government of Canada:				
9	Advances, etc.	- 2	-	-	- 8
10	Repayments to Canada	+ 4	+ 2	+ 1	+ 2
11	Columbia River Treaty, net	-	-	+ 54	-
13	Long-term capital transactions n.i.e.	- 24	- 12	+ 34	+ 5
	Change in Canadian dollar holdings of foreigners:				
14.1	Deposits	+ 20	- 9	- 36	+ 53
14.2	Government of Canada demand liabilities	-	- 3	-	+ 3
14.3	Canadian treasury bills	+ 4	+ 14	- 16	- 18
17	Other capital movements	+ 287	+ 62	- 229	- 189
E	Net capital movement (excluding monetary items shown below) in:				
1	Long-term forms (D1 to D13)	- 15	+ 152	+ 223	+ 493
2	Short-term forms (D14 to D17)	+ 311	+ 64	- 281	- 151
3	Total	+ 296	+ 216	- 58	+ 342
H = C+E	Official monetary movements in the form of:				
1	Change in official holdings of gold and foreign exchange	- 127	+ 62	+ 97	+ 54
2	Change in net International Monetary Fund position	+ 85	+ 6	+ 59	+ 127
3	Other special international financial assistance	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1965 are preliminary and data for 1964 are subject to revision
1966

1965				1966	Annual totals			Fourquarters ended March 31, 1966	No.
I	II	III	IV	I	1963	1964	1965		
millions of dollars									
1,825	2,189	2,262	2,461	2,213	7,082	8,240	8,737	9,125	A 1
35	34	35	34	34	154	145	138	137	3
63	154	408	112	73	609	662	737	747	4
65	78	65	107	67	230	313	315	317	5
138	167	177	174	152	563	645	656	670	6
42	55	63	51	43	151	169	211	212	7
138	142	146	147	154	473	502	573	589	11
2,306	2,819	3,156	3,086	2,736	9,262	10,676	11,367	11,797	12
1,867	2,217	2,107	2,445	2,215	6,579	7,540	8,636	8,984	B 1
152	214	273	147	180	585	712	786	814	4
236	247	224	341	253	860	978	1,048	1,065	5
147	192	201	196	160	648	685	736	749	6
40	48	60	58	34	186	190	206	200	7
23	20	31	18	33	65	69	92	102	9
242	248	250	259	257	881	935	999	1,014	11
2,707	3,186	3,146	3,464	3,132	9,804	11,109	12,503	12,928	12
- 42	- 28	+ 155	+ 16	- 2	+ 503	+ 700	+ 101	+ 141	C 1
- 336	- 319	- 114	- 376	- 361	- 980	- 1,064	- 1,145	- 1,170	2
- 23	- 20	- 31	- 18	- 33	- 65	- 69	- 92	- 102	3
- 401	- 367	+ 10	- 378	- 396	- 542	- 433	- 1,136	- 1,131	4
+ 70	+ 120	+ 100	+ 100	+ 120	+ 280	+ 255	+ 390	+ 440	D 1
- 35	- 5	- 50	- 25	- 20	- 135	- 140	- 115	- 100	2
+ 3	+ 17	+ 38	+ 6	- 11	+ 39	+ 77	+ 64	+ 50	3.1
- 83	- 84	- 28	- 62	- 13	- 170	- 97	- 257	- 187	3.2
+ 273	+ 306	+ 298	+ 250	+ 618	+ 984	+ 1,123	+ 1,127	+ 1,472	4
- 66	- 176	- 57	- 74	- 106	- 404	- 358	- 373	- 413	5
- 35	- 5	- 22	- 12	- 70	+ 22	- 63	- 74	- 109	6,7,8
-	-	-	- 16	- 6	- 18	- 10	- 16	- 22	9
+ 5	+ 2	+ 1	+ 2	+ 1	+ 25	+ 9	+ 10	+ 6	10
-	-	-	+ 32	-	-	+ 54	+ 32	+ 32	11
- 11	- 85	- 66	- 18	- 49	+ 14	+ 3	- 180	- 218	13
+ 38	- 37	- 19	+ 48	- 15	+ 43	+ 28	+ 30	- 23	14.1
+ 1	- 4	- 5	+ 12	- 6	+ 1	-	+ 2	- 3	14.2
+ 27	- 10	- 2	- 3	- 8	- 27	- 16	+ 12	- 23	14.3
+ 144	+ 329	+ 28	+ 140	- 178	+ 34	- 69	+ 641	+ 319	17
+ 121	+ 90	+ 214	+ 183	+ 464	+ 637	+ 853	+ 608	+ 951	E 1
+ 208	+ 278	+ 2	+ 197	- 207	+ 51	- 57	+ 685	+ 270	2
+ 329	+ 368	+ 216	+ 380	+ 257	+ 688	+ 796	+ 1,293	+ 1,221	3
- 118	- 92	+ 144	+ 55	- 166	+ 60	+ 86	- 11	- 59	H = C+E 1
- 46	+ 93	+ 82	- 53	+ 27	+ 86	+ 277	+ 168	+ 149	2
-	-	-	-	-	-	-	-	-	3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

CATALOGUE No.

67-001

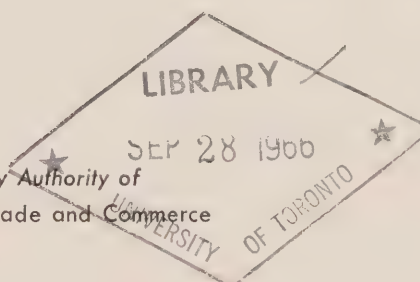
QUARTERLY



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS SECOND QUARTER 1966

Contains annual bilateral estimates and
quarterly estimates with the United States
for 1963 through 1965.

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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1966

At \$756 million, Canada's deficit for the first six months of 1966 on international transactions in goods and services was practically unchanged from \$755 million for the same period of 1965. An improvement of \$40 million in the merchandise trade deficit from \$66 million to \$26 million was slightly exceeded by the widening by \$41 million in net payments on non-merchandise transactions from \$689 million in the first two quarters of 1965 to \$730 million in 1966. Following the usual practice, the estimates for 1964 and 1965 have been revised.

While there was relative stability in the half-year period there were more variations within the period. Some reduction in the current balance over the previous year occurred in the second quarter when the current deficit was \$352 million this year compared with \$360 million in the second quarter of 1965. The revised figure for the first quarter of this year of \$404 million compared with \$395 million for that quarter in 1965.

Summary statement

	1964	1965	1965			1966	
			II Q	III Q	IV Q	I Q	II Q
			millions of dollars				
Merchandise trade balance	+ 701	+ 118	- 27	+ 161	+ 23	- 6	- 20
Deficit on non-merchandise transactions	- 1,125	- 1,201	- 333	- 125	- 387	- 398	- 332
Current account balance	- 424	- 1,083	- 360	+ 36	- 364	- 404	- 352
Capital movements (1)	+ 787	+ 1,240	+ 361	+ 190	+ 366	+ 265	+ 235
Long-term forms	+ 820	+ 713	+ 134	+ 216	+ 235	+ 430	+ 179
Short-term forms	- 33	+ 527	+ 227	- 26	+ 131	- 165	+ 56
Change in official holdings of gold, foreign exchange, and net balance with International Monetary Fund	+ 363	+ 157	+ 1	+ 226	+ 2	- 139	- 117

1) Excluding change in official exchange holdings.

The current account deficit of \$352 million in the second quarter of 1966 was financed by a net capital inflow of \$235 million and a net reduction in official monetary assets of \$117 million. A significant part of the decline in the official reserves was contributed by a further special repurchase of some \$69 million by the Government of Canada of its United States dollar obligations from residents of that country. Of the total net capital inflow \$179 million was in long-term and \$56 million in short-term forms. These capital movements followed much larger inflows in long-term forms in the first quarter which were substantially offset in that period by net short-term outflows.

With a generally favourable economic climate in Canada's overseas markets and a more heightened business activity in North America, both merchandise exports and imports increased nearly 20 per cent between the first half years 1965 and 1966. This expansion occurred even though there were impediments to the flow of trade through much of the period originating in various disputes in the transportation industries. In the earlier part of the year the strike in the trucking industry in Ontario affected in particular trade with the United States, and in the latter part of the second quarter overseas trade was somewhat curbed by the coincidence of the work stoppages of stevedores and freight handlers in some East Lawrence ports and the British seamen's strike. Other important elements in the background affecting trade were the heavy shipments of grain to the U.S.S.R. and China and the greatly enlarged movements of automobiles and parts in both directions between Canada and the United States. The growth in Canada's deficit on non-merchandise transactions was moderated in the first half of 1966 by an expansion in the net inward movement of migrants' funds.

Summary of Current Transactions with the United States, United Kingdom and Other Countries
1965 and 1966, and Changes Between the Periods

	1965	1966	Change	1965	1966	Change
millions of dollars						
<u>Second quarter</u>	<u>All Countries</u>			<u>United States</u>		
Merchandise exports (adjusted)	2,191	2,586	+ 395	1,271	1,602	+ 331
Merchandise imports (adjusted)	2,218	2,606	+ 388	1,547	1,926	+ 379
Balance on merchandise trade	- 27	- 20	+ 7	- 276	- 324	- 48
Other current receipts	648	689	+ 41	426	437	+ 11
Other current payments	981	1,021	+ 40	680	718	+ 38
Balance on non-merchandise transactions ...	- 333	- 332	+ 1	- 254	- 281	- 27
Total receipts	2,839	3,275	+ 436	1,697	2,039	+ 342
Total payments	3,199	3,627	+ 428	2,227	2,644	+ 417
Current account balance	- 360	- 352	+ 8	- 530	- 605	- 75
<u>January to June</u>						
Merchandise exports (adjusted)	4,017	4,798	+ 781	2,341	2,956	+ 615
Merchandise imports (adjusted)	4,083	4,824	+ 741	2,923	3,579	+ 656
Balance on merchandise trade	- 66	- 26	+ 40	- 582	- 623	- 41
Other current receipts	1,153	1,223	+ 70	733	763	+ 30
Other current payments	1,842	1,953	+ 111	1,270	1,352	+ 82
Balance on non-merchandise transactions ...	- 689	- 730	- 41	- 537	- 589	- 52
Total receipts	5,170	6,021	+ 851	3,074	3,719	+ 645
Total payments	5,925	6,777	+ 852	4,193	4,931	+ 738
Current account balance	- 755	- 756	- 1	- 1,119	- 1,212	- 93
<u>Second quarter</u>	<u>United Kingdom</u>			<u>Other Countries</u>		
Merchandise exports (adjusted)	306	286	- 20	614	698	+ 84
Merchandise imports (adjusted)	157	157	-	514	523	+ 9
Balance on merchandise trade	+ 149	+ 129	- 20	+ 100	+ 175	+ 75
Other current receipts	92	96	+ 4	130	156	+ 26
Other current payments	100	105	+ 5	201	198	- 3
Balance on non-merchandise transactions ...	- 8	- 9	- 1	- 71	- 42	+ 29
Total receipts	398	382	- 16	744	854	+ 110
Total payments	257	262	+ 5	715	721	+ 6
Current account balance	+ 141	+ 120	- 21	+ 29	+ 133	+ 104
<u>January to June</u>						
Merchandise exports (adjusted)	563	557	- 6	1,113	1,285	+ 172
Merchandise imports (adjusted)	297	306	+ 9	863	939	+ 76
Balance on merchandise trade	+ 266	+ 251	- 15	+ 250	+ 346	+ 96
Other current receipts	173	174	+ 1	247	286	+ 39
Other current payments	192	202	+ 10	380	399	+ 19
Balance on non-merchandise transactions ...	- 19	- 28	- 9	- 133	- 113	+ 20
Total receipts	736	731	- 5	1,360	1,571	+ 211
Total payments	489	508	+ 19	1,243	1,338	+ 95
Current account balance	+ 247	+ 223	- 24	+ 117	+ 233	+ 116

Merchandise Trade Balance

Merchandise exports, adjusted for balance of payments use, increased \$781 million or nearly 20 per cent from \$4,017 million to \$4,798 million, while merchandise imports, also adjusted, rose \$741 million or about 18 per cent from \$4,083 million to \$4,824 million in the first half of 1966. An addition of about \$12 million to the Trade of Canada export total for the six months of 1966 was primarily attributable to the timing of wheat shipments abroad, while an addition of nearly \$55 million to the import total represented for the most part progress payments on aircraft being build abroad. Much smaller adjustments applicable to the first half of 1965 comprised a positive wheat adjustment to the Trade of Canada export total being exceeded by a deduction for net deliveries of military aircraft, and net progress payments on defence contracts on the import side.

Largely under the stimulus of the Canada - United States agreement concluded in January 1965 on duty-free trade in automotive equipment, exports of cars, trucks and automotive engines and parts increased nearly \$250 million in the six months of 1966 over the same period of 1965. Automobiles and trucks accounted for more than \$150 million of this advance. There were also reciprocal increases in the imports of automotive equipment. Exports of wheat and flour expanded some \$130 million, with shipments on the U.S.S.R. account alone rising over \$160 million, and to Mainland China \$30 million. Exports were, however, lower to several western European countries, including Belgium - Luxembourg, and to Czechoslovakia and several other countries in eastern Europe. Within the food and beverage group, exports of meat, fresh fish and whiskey were up moderately.

Shipments of non-ferrous metals rose nearly \$150 million, with copper accounting for about \$55 million and aluminum and nickel each rising \$25 million. Exports of newsprint gained approximately \$54 million, lumber some \$30 million and pulp much more moderately. Exports of machinery rose over \$35 million as also did those of aircraft engines and parts. Shipments of fertilizers increased some \$20 million, and less substantial gains were recorded by many other commodities including crude petroleum, asbestos, chemicals, communication equipment and firearms. Exports of dairy products, uranium, iron ores, synthetic rubber and aircraft declined between the first two quarters of 1965 and 1966.

Changes in commodity values within the import totals for the first quarters of 1965 and 1966 are likely indicative of the developments in the second quarter for which detailed information is not yet available. Close to one-third of the increase of over \$350 million in imports (adjusted for balance of payments use) between the first quarters of 1965 and 1966 was concentrated in automobiles and engines and parts. The larger portion of the increase remaining was distributed over industrial materials, machinery, equipment and tools, food, beverages and other consumer goods. Almost all commodities contributed to the import expansion: meat, vegetables, fabrics, chemicals, non-ferrous alloys (nickel in particular), fabricated steel materials, electronic computers, office machines, navigation and other measuring equipment.

Average import prices, which had remained unchanged between 1964 and 1965 taken as a whole, were up a shade in the first quarter of 1966, as compared with the first quarter of 1965, and may have continued to rise in the second quarter. Average export prices, which rose between 1 and 1 1/2 per cent between 1964 and 1965, were about 3 1/2 per cent higher in the half year 1966 over the same period of 1965.

Major Items in the Balance on Non-Merchandise Transactions

	First six months				Change in 1966
	1963	1964	1965	1966	
	millions of dollars				
Gold production available for export	+ 79	+ 74	+ 69	+ 63	- 6
Travel expenditures	- 92	- 138	- 141	- 170	- 29
Interest and dividends	- 294	- 331	- 352	- 383	- 31
Freight and shipping	- 34	- 14	- 38	- 43	- 5
Inheritances and migrants' funds	- 18	- 12	+ 5	+ 32	+ 27
Official contributions	- 33	- 28	- 43	- 47	- 4
All other current transactions	- 203	- 223	- 189	- 182	+ 7
Balance on non-merchandise transactions	- 595	- 672	- 689	- 730	- 41

Deficit on Services and Other Non-merchandise Transactions

With the exception of migrants' funds and of government expenditures other than official contributions, all the non-merchandise items contributed to the \$41 million increase in the "invisible" deficit from \$689 million to \$730 million. A widening of \$29 million in the travel deficit and that of \$31 million in net payments of interest and dividends were the largest negative changes. On the other hand, the surplus on inheritances and migrants' funds increased \$27 million to \$32 million.

With a rise of \$29 million to \$170 million, the travel deficit for the first half of 1966 stood higher than that for the same period for any preceding year. Expenditures by Canadians travelling in the United States increased nearly 17 per cent from \$262 million to \$306 million, as compared with a 14 per cent rise in the receipts from United States visitors from \$186 million to \$212 million. The travel deficit with the United States accordingly widened from \$76 million to \$94 million in the half year 1966. Following a decline from \$71 million to \$65 million in the first half of 1965, Canada's travel deficit with overseas countries rose to \$76 million in 1966. The receipts from overseas visitors were up \$3 million to \$38 million, while the Canadian spending for travel overseas increased from \$100 million to \$114 million. Travel accounted for 23 per cent of total non-merchandise deficit in the six months of 1966, as compared with 20 per cent one year earlier.

Travel Expenditures

	First six months				Change in 1966
	1963	1964	1965	1966	
	millions of dollars				
United States:					
Receipts	157	173	186	212	+ 26
Payments	189	240	262	306	+ 44
Balance	- 32	- 67	- 76	- 94	- 18
Overseas:					
Receipts	23	26	35	38	+ 3
Payments	83	97	100	114	+ 14
Balance	- 60	- 71	- 65	- 76	- 11
All countries:					
Receipts	180	199	221	250	+ 29
Payments	272	337	362	420	+ 58
Balance	- 92	- 138	- 141	- 170	- 29

Interest and Dividends: Payments

Period	Total	Interest	Dividends	
millions of dollars				
1963	860	314	546	
1964	1,010	335	675	
1965	1,071	372	699	
1964	I Q	239	73	166
	II Q	219	94	125
	III Q	219	71	148
	IV Q	333	97	236
1965	I Q	240	77	163
	II Q	252	108	144
	III Q	230	78	152
	IV Q	349	109	240
1966	I Q	258	91	167
	II Q	261	116	145

Net payments of interest and dividends increased \$31 million from \$352 million to \$383 million, with interest and dividend receipts declining \$4 million to \$136 million and payments rising \$27 million from \$492 million to \$519 million in the first half of 1966. As the receipts of interest were unchanged, the decline was attributable to lower receipts of dividends on direct investment in the second quarter of 1966. About 80 per cent of the \$27 million increase in income payments from \$492 million to \$519 million originated in higher payments of interest, arising from large sales to non-residents in earlier quarters of new corporate bonds in particular and also of provincial debentures. Dividends payments rose \$5 million to \$312 million in the half year 1966, and the increase was in dividends on direct investment. More than one-half, or 52 per cent of the total "invisible" deficit was attributed to interest and dividends in the first two quarters of 1966, up a shade from 51 per cent in the same period of 1965.

As a result of a larger rise in payments than in receipts, the deficit on freight and shipping transactions widened \$5 million to \$43 million. Official contributions were up \$4 million to \$47 million in 1966, with economic aid being \$10 million higher in the first quarter, but \$6 million lower in the second quarter in an over-the-year comparison. The value of gold production available for export at \$63 million was \$6 million lower than in the first half of 1965. Net payments of miscellaneous investment income, business services, and personal remittances were moderately higher. An increase of over 35 per cent in immigration in 1966 and a sharp reduction in the number of Canadians going to the United States for permanent residence, after the passage in that country late in 1965 of a new immigration law, contributed to the \$27 million expansion in the surplus on migrants' funds and inheritances. Government expenditures, other than official contributions, changed from a deficit to a surplus, owing largely to outlays in 1966 on the construction of foreign pavilions at the Expo 67 site.

Current Transactions in the Second Quarter (Seasonally adjusted)

Following a sharp contraction in the current account deficit in the first quarter of 1966 to \$173 million, seasonally adjusted at quarterly rates, the deficit widened about 38 per cent to \$239 million in the second quarter. The deficit for the first two quarters of 1966 together stood at a level about two-thirds that of the second half of 1965. The decline in the merchandise surplus brought about the deterioration, as the deficit on non-merchandise transactions narrowed between the first two quarters of 1966.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

		Goods			Services			Total receipts	Total pay-ments	Current account balance
		Exports	Imports	Balance	Receipts (1)	Pay-ments (2)	Balance			
millions of dollars										
1965	I Q ..	2,071	2,026	+ 45	666	936	- 270	2,737	2,962	- 225
	II Q ..	2,138	2,077	+ 61	680	981	- 301	2,818	3,058	- 240
	III Q ..	2,203	2,163	+ 40	705	1,002	- 297	2,908	3,165	- 257
	IV Q ..	2,333	2,361	- 28	668	1,001	- 333	3,001	3,362	- 361
	Year ...	8,745	8,627	+ 118	2,719	3,920	- 1,201	11,464	12,547	- 1,083
1966	I Q ..	2,514	2,382	+ 132	710	1,015	- 305	3,224	3,397	- 173
	II Q ..	2,472	2,418	+ 54	726	1,019	- 293	3,198	3,437	- 239

(1) Including immigrants' funds and inheritances, by quarters in 1965: 52, 53, 53 and 53.

(2) Including emigrants' funds and inheritances: 52, 51, 55 and 53.

The strike in the trucking industry in Ontario had a retarding effect on trade and particularly on the inflow of imports from the United States in the first quarter of 1966. Later the work stoppages involving the stevedores and freight handlers in some St. Lawrence ports and the strike of the British seamen affected the second quarter trade adversely, particularly overseas exports. These industrial disputes appeared to have mixed effects also on freight and shipping transactions. The contraction in the merchandise surplus resulted from about a 2 per cent decline in exports from \$2,514 million to \$2,472 million, together with a slightly smaller rise in imports from \$2,382 million to \$2,418 million. The changes to non-merchandise transactions were even more modest, with the receipts rising from \$710 million to \$726 million and the payments from \$1,015 million to \$1,019 million, seasonally adjusted at quarterly rates, respectively in the first two quarters of 1966.

Non-merchandise Transactions in 1966

(Seasonally adjusted at quarterly rates)

	Receipts		Payments		Balance	
	I Q	II Q	I Q	II Q	I Q	II Q
millions of dollars						
Gold production available for export ...	35	28	-	-	+ 35	+ 28
Travel expenditures	205	214	216	223	- 11	- 9
Interest and dividends	77	78	274	281	- 197	- 203
Freight and shipping	176	171	196	196	- 20	- 25
Inheritances and migrants' funds	54	65	44	46	+ 10	+ 19
All other transactions	163	170	285	273	- 122	- 103
Totals	710	726	1,015	1,019	- 305	- 293

It is seen from the above statement that negative changes comprised a reduced value of gold production available for export and larger net payments of interest and dividends and for freight and shipping services. Reduced deficits on travel expenditures and on other miscellaneous transactions (including a much smaller total of official contributions in the second quarter) and an expanded surplus on inheritances and migrants' funds outweighed the negative influences. Immigrants in the second quarter of 1966 exceeded the arrivals in the same period of 1965 by more than one-third.

Transactions by Areas

Canada's current deficit with the United States rose \$93 million or more than 8 per cent from \$1,119 million to \$1,212 million, and the current account surplus with the United Kingdom narrowed nearly 10 per cent from \$247 million to \$223 million, with both trade and non-merchandise transactions contributing to the deterioration with each of the two countries. Canada's surplus with other countries just about doubled from \$117 million to \$233 million in the first half of 1966. As the current surplus declined in transactions with other countries in the sterling area, the gain occurred in transactions with other OECD countries in Europe and in particular with the remaining countries.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1963	- 348	- 345	- 60	- 409	- 1,162
1964	- 541	- 507	- 119	- 468	- 1,635
1965	- 589	- 530	- 170	- 623	- 1,912
1966	- 607	- 605			
United Kingdom:					
1963	+ 81	+ 116	+ 97	+ 120	+ 414
1964	+ 87	+ 149	+ 156	+ 213	+ 605
1965	+ 106	+ 141	+ 134	+ 129	+ 510
1966	+ 103	+ 120			
Other countries:					
1963	+ 29	+ 20	- 13	+ 170	+ 206
1964	+ 118	+ 208	+ 171	+ 109	+ 606
1965	+ 88	+ 29	+ 72	+ 130	+ 319
1966	+ 100	+ 133			

deterioration in the travel account, referred to before, and the widening in the deficit on interest and dividends were the most prominent additions to the deficit.

In current transactions with the United Kingdom, the surplus narrowed \$24 million from \$247 million to \$223 million between the half years 1965 and 1966. The merchandise surplus declined \$15 million to \$251 million, as exports at \$557 million were \$6 million lower, while imports were \$9 million higher at \$306 million. The British seamen's strike in May and June is likely to have had a special impact upon trade with the United Kingdom in the second quarter. A small increase in net receipts of migrants' funds and inheritances was more than counterbalanced by larger deficits on travel and income accounts and other non-merchandise items.

The doubling of the surplus on current transactions with other countries from \$117 million to \$233 million was attributable to an expansion of \$96 million in the trade surplus from \$250 million to \$346 million and a \$20 million contraction in the non-merchandise deficit to \$113 million in the first two quarters of 1966. Roughly 90 per cent of the export gain from \$1,113 million to \$1,285 million occurred in shipments to other countries outside the sterling area and the OECD group of countries in Europe; and the dominant element was the enlarged deliveries of wheat and flour under the Russian contract. About one-half of the smaller increase in merchandise imports from \$863 million to \$939 million is estimated to have originated in the last-named group of countries. Most of the \$20 million decline in the non-merchandise deficit was credited to transactions with this area also. Many of the individual "invisible" balances recorded small improvements, and the Expo 67 construction disbursements represented the most notable single contribution.

Total receipts from the United States for goods and services stood at \$3,719 million in 1966, up \$645 million or 21 per cent from \$3,074 million in the first half of 1965. Total current payments to the United States rose \$738 million from \$4,193 million to \$4,931 million, a relative increase of approximately 17 1/2 per cent. Of the increase of \$93 million in the deficit, \$41 million was derived from merchandise trade. Merchandise exports advanced 26 per cent from \$2,341 million to \$2,956 million, while merchandise imports in the half year 1966 were estimated at \$3,579 million, up more than 22 per cent from \$2,923 million. A large portion of the \$250 million gain in the exports of automotive equipment went to the United States, as did also the substantial rise in shipments of non-ferrous metals, in particular copper and aluminum. All the non-merchandise items, except migrants' funds and inheritances contributed to the \$52 million increase in the total "invisible" deficit. The

Financing of Canada's Bilateral Account with the United States

	1963	1964	1965	1965			1966	
				II Q	III Q	IV Q	I Q	II Q
	millions of dollars							
<u>Transactions with the United States:(1)</u>								
Current account balance	- 1,316	- 1,780	- 2,050	- 564	- 205	- 657	- 641	- 634
Capital movements in long-term forms	+ 843	+ 1,013	+ 964	+ 196	+ 279	+ 290	+ 478	+ 212
Capital movements in short-term forms(2)	+ 7	+ 626	- 508	- 193	- 294	+ 155	+ 62	+ 27
Totals	- 466	- 141	- 1,594	- 561	- 220	- 212	- 101	- 395
<u>Financing:</u>								
Transactions with rest of world:								
Current account balance	+ 620	+ 1,211	+ 829	+ 170	+ 206	+ 259	+ 203	+ 253
Capital movements in long-term forms	- 206	- 193	- 251	- 62	- 63	- 55	- 48	- 33
Capital movements in short-term forms(2)	+ 44	- 659	+ 1,035	+ 420	+ 268	- 24	- 227	+ 29
Sub-total	+ 458	+ 359	+ 1,613	+ 528	+ 411	+ 180	- 72	+ 249
Gold production available for export	+ 154	+ 145	+ 138	+ 34	+ 35	+ 34	+ 34	+ 29
Increase (-) in official Canadian holdings of gold, foreign exchange, net asset with the IMF, etc.	- 146	- 363	- 157	- 1	- 226	- 2	+ 139	+ 117
Totals	+ 466	+ 141	+ 1,594	+ 561	+ 220	+ 212	+ 101	+ 395

- (1) Excluding gold production available for export and changes in official monetary assets, shown with financing.
- (2) There is a discontinuity at the end of 1963 in the allocation bilaterally of capital movements in short-term forms, implying accumulated earlier net overstatements of inflows from the United States and corresponding net understatements of inflows from the rest of the world of the order of \$200 million.

Canada's current account deficit with the United States in the second quarter of 1966 (excluding gold production available for export, which is conventionally attributed to the United States account) was \$634 million. Capital movements in long-term forms between the two countries produced an inflow of \$212 million, and there were further net inflows of \$27 million from transactions in short-term forms (apart from changes in official holdings of gold and United States dollars). In sum, these transactions with the United States gave rise to net payments by Canada of \$395 million. This figure represented a considerable increase from the corresponding amount of \$101 million in the first quarter, when there was an unusually large reduction of \$198 million in undelivered new issues of Canadian bonds. The half-year total of these payments, aggregating \$496 million was below the extraordinarily high levels prevailing a year earlier, but was nevertheless higher than for many earlier periods and indicated a continuation of the contribution of transactions with Canada to the strength of the balance of payments position of the United States.

With the United Kingdom and other overseas countries the pattern of imbalance resumed its complementary role to that with the United States. The net current surplus of \$253 million was offset only to the extent of \$4 million by outward capital movements, an outflow in long-term forms of \$33 million and an inflow of \$29 million in short-term forms. These net receipts of \$249 million in the second quarter followed an unusual payments balance of \$72 million in the preceding quarter, when there were exceptionally large withdrawals from the Canadian banking system of foreign currency deposits by overseas customers.

The net payments imbalance from these groups of transactions amounting to \$146 million, compared with \$173 million in the first quarter. It was financed by a net reduction of \$117 million in official holdings of gold, foreign exchange, and IMF balance, and by Canadian gold production of \$29 million.

Included in the bilateral movements described above were the effects of the international foreign currency operations of the Canadian banking system. These were much less important bilaterally in the second quarter than in the first although the net movement with all countries was larger. These operations continued to contract. Net spot holdings of foreign currency assets by the chartered banks fell \$70 million (on a transactions basis) during the quarter. Claims on residents of the United States fell by \$69 million, and liabilities to them by \$71 million. With overseas countries assets fell by \$42 million and liabilities by \$28 million. Foreign currency claims on Canadians increased by \$5 million and liabilities to Canadians by \$63 million. Thus the reduction of \$70 million in net foreign currency assets of the banks reflected declines of \$58 million and \$14 million respectively with residents of Canada and of overseas countries, and an increase of \$2 million in net assets with residents of the United States.

Abstracting the net inward movement of \$12 million with non-residents by or through the Canadian banking system, all other capital movements in the second quarter produced \$223 million made up of \$241 million from the United States reduced by an outflow of \$18 million to overseas countries.

Capital Movements

Summary	1964	1965	1965			1966	
			II Q	III Q	IV Q	I Q	II Q
			millions of dollars				
Capital movements in long-term forms	+ 820	+ 713	+ 134	+ 216	+ 235	+ 430	+ 179
Capital movements in short-term forms(1)	- 33	+ 527	+ 227	- 26	+ 131	- 165	+ 56
Balance on goods and services	- 424	- 1,083	- 360	+ 36	- 364	- 404	- 352
Change in official holdings of gold, foreign exchange, and net balance with the International Monetary Fund	+ 363	+ 157	+ 1	+ 226	+ 2	- 139	- 117

Between the second quarters of 1965 and 1966 prevailing conditions in the financial markets both in Canada and abroad changed substantially. The course of the bond and stock markets in the United States and Canada followed the same general trend with sharply higher interest rates apparent for both long and short-term debt while stock prices fell considerably. In addition the financial markets had to adjust to various fiscal and balance of payments measures introduced in several countries. The aggregative effects of these influences on the Canadian balance of international payments cannot be readily quantified, however, in reviewing the material it is useful to keep them in mind.

Capital Movements in Long-Term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1963	+ 637	+ 426
1964	+ 820	+ 749
1965	+ 713	+ 972
1964 I Q	+ 3	- 33
II Q	+ 133	+ 88
III Q	+ 212	+ 401
IV Q	+ 472	+ 293
1965 I Q	+ 128	+ 209
II Q	+ 134	+ 105
III Q	+ 216	+ 331
IV Q	+ 235	+ 327
1966 I Q	+ 430	+ 232
II Q	+ 179	+ 235

The net capital inflow into Canada (apart from official monetary movements shown separately in the balance of payments statements) totalled \$235 million in the second quarter of 1966 compared with \$361 million a year earlier. As the variation in the current account deficit was not too great there was a sharp swing in holdings of official monetary assets from an increase of \$1 million in the second quarter of 1965 to a decrease of \$117 million in the period under review.

Sales of new issues of Canadian securities continued to provide the bulk of the inflow in long-term forms. The timing of offerings and deliveries, as shown in the statement, has a considerable influence on capital movements in long-term forms. Inflows for direct investment in Canada were the highest for many quarters mainly as the result of several special transactions. Significant outflows were recorded for the retirement of Canadian securities, reflecting particularly the

special repurchase of Government of Canada bonds from United States residents, and for the purchase of outstanding foreign securities.

Capital movements in short-term forms resulted in a net inflow of \$56 million in the second quarter of 1966. Minor outflows were recorded as Canadians increased their short-term balances abroad while non-residents reduced their holdings of all types of Canadian money market instruments. These outflows were more than offset by net inflows from other short-term capital movements, including changes in loans and accounts receivable and payable.

Direct Investment

The net capital inflow for direct investment in foreign-controlled enterprises in Canada rose to \$155 million, the highest quarterly level since the fourth quarter of 1962. Almost 90 per cent of the inflow came from the United States. The largest inflow was directed to manufacturing enterprises, while significant amounts were also received by the petroleum and natural gas and by the mining industries. Included in the data for the manufacturing and mining industries are several substantial special transactions unrelated to new capital formation in Canada; these more than accounted for the rise from \$110 million in the first quarter.

Canadian direct investment abroad at \$40 million was also at a relatively high level. Half of the net outflow was directed to countries other than the United States and the United Kingdom, principally in the Commonwealth. The bulk of the movement went to manufacturing subsidiaries. Two significant reverse flows were recorded from the sale to non-residents of Canadian investments in the United States and Europe.

Security Transactions

The net capital inflow from Canada's international transactions in portfolio securities fell during the second quarter from the first quarter's high of \$372 million to \$40 million, the smallest sales balance recorded since the first quarter of 1964. Net sales of Canadian securities, at \$130 million, represented a decline of \$312 million from the high level of \$442 million reached in the March quarter.

New Issues of Canadian Bonds Sold to United States Residents

Period	Offerings	Deliveries	Un- delivered(1)
	millions of dollars		
1964 Year	957	1,028	51
1965 "	1,408	1,149	310
1965 I Q	344	263	132
II Q	282	311	103
III Q	399	284	218
IV Q	383	291	310
1966 I Q	316	514	112
II Q	394	338	168

(1) At end of period.

New issues of Canadian securities continued to play the major role in this capital movement but the inflow contracted to \$347 million from the peak level of \$579 million of the first quarter. Sales to non-residents of new bonds issued by corporations fell by \$209 million to a relatively low \$111 million, while new issues of common and preference stocks sold abroad also fell to a more normal \$3 million following the large inflow of \$44 million in the previous quarter when there was a major new stock issue. Total offerings of new issues of Canadian bonds to United States residents rose to \$394 million and the undelivered balance at the end of the quarter to \$168 million. Transactions in outstanding Canadian securities during the second quarter produced an enlarged net outflow of \$67 million, which included a significant increase to \$43 million for the repatriation of foreign-held Canadian equities. There was also an

unusually large outflow of \$150 million for the retirement of Canadian securities. In a special transaction associated with the adjustment of Canada's reserve position the Government of Canada repurchased some \$69 million (expressed in United States dollars) of its outstanding bonds from United States residents. This followed a similar repurchase of some \$40 million in the first quarter and brought retirements of Government of Canada direct issues in the second quarter to the high level of \$81 million.

Detail of Transactions in Foreign Securities

Items - D6, 7, 8

	1965			1966	
	II Q	III Q	IV Q	I Q	II Q
	millions of dollars				
Outstanding issues ..	- 16	- 18	- 5	- 46	- 89
New issues	- 7	- 8	- 14	- 27	- 7
Retirements	+ 15	+ 3	+ 4	+ 3	+ 6

(A minus sign indicates an outflow of capital from Canada.)

Transactions in foreign securities led to an outflow of \$90 million, or some \$20 million higher than the already large outflow of \$70 million in the first quarter. This rise was more than accounted for by increased purchases of outstanding United States common and preference stocks which resulted in a net outflow of \$74 million. Purchases of foreign new issues, at \$7 million were considerably below the first quarter's figure of \$27 million, which included Canadian purchases of a new offering in Canadian currency by an international institution.

Detail of Long-Term Capital Transactions n.i.e.

Item D13

Year and quarter		Export credits(1)			Finance com- panies(2)	Other	Total
		Advances	Repay- ments	Net			
millions of dollars							
1963	.....	- 107	+ 35	- 72	+ 11	+ 75	+ 14
1964	.....	- 321	+ 157	- 164	- 6	+ 116	- 54
1965	.....	- 252	+ 65	- 187	- 3	+ 54	- 136
1964	I Q	- 38	+ 7	- 31	+ 4	- 10	- 37
	II Q	- 75	+ 23	- 52	+ 6	+ 25	- 21
	III Q	- 123	+ 77	- 46	- 14	+ 85	+ 25
	IV Q	- 85	+ 50	- 35	- 2	+ 16	- 21
1965	I Q	- 59	+ 17	- 42	- 1	+ 50	+ 7
	II Q	- 74	+ 13	- 61	- 6	+ 5	- 62
	III Q	- 76	+ 22	- 54	+ 4	- 2	- 52
	IV Q	- 43	+ 13	- 30	-	+ 1	- 29
1966	I Q	- 44	+ 21	- 23	-	- 5	- 28
	II Q	- 55	+ 71	+ 16	- 4	+ 13	+ 25

(1) Export credits from Canada directly or indirectly at risk of the Government of Canada.

(2) Finance company borrowing not included in items D1, 3, 4, 5, 17.3 or 17.4.

Other Capital Flows In Long-Term Forms

Disbursements by the Government of Canada under intergovernmental loan programmes and for subscription payments to international investment institutions aggregated \$3 million in the second and \$6 million in the first quarter of 1966. Apart from the provision by Canada of about \$2 million to the International Development Association in the first quarter, these amounts represented drawings of sterling area countries on the programme of soft loans described in the report for the final quarter of 1965. Principal repayments on earlier intergovernmental loans produced \$2 million in each of the first two quarters of 1966.

Capital flows during the second quarter associated with the financing of exports directly or indirectly at the risk of the Government of Canada were inwards, on balance, in an amount of \$16 million, following a net outflow of \$23 million in the first quarter. While new credits aggregating \$55 million were provided during the quarter, these were more than offset by repayments totalling \$71 million. Accelerated repayments under old contracts with United States residents and substantial

maturities in connection with wheat sales to Sino-Soviet countries were prominent among receipts. There were net extensions of credit on balance to other areas. It will be noted that the long-term credits provided in connection with wheat sales generally extend for periods from 18 months upwards.

All other transactions in long-term forms in the second quarter led to a net inflow of \$9 million, compared with an outflow of \$5 million in the preceding quarter. A wide variety of transactions contributed to these balances. During the second quarter borrowing from foreign banks constituted an important inflow but was partly offset by outflows of funds which had previously been borrowed abroad to finance private long-term trade credits.

Capital Movements in Short-Term Forms

Capital movements in short-term forms led to a net inflow of \$56 million in the second quarter of 1966 compared with the previous quarter's outflow of \$165 million. On balance the bulk of this inflow came from the United Kingdom with significant outflows going to other overseas countries.

Non-resident holdings of Canadian dollars fell by \$9 million in the period under review, \$20 million less than the decline recorded in the previous quarter. The outflow was accounted for primarily by a decrease in foreign holdings of Canadian dollar deposits. There was also a decline in non-resident holdings of demand liabilities of the Government of Canada while transactions in treasury bills were offsetting and resulted in no net movement.

As indicated in the supplementary statement covering "Other Capital Movements", for the fourth successive quarter there was a net outflow to increase Canadian holdings of bank balances and other short-term funds abroad (excluding official reserves). The net outflow in the second quarter of \$8 million was sharply reduced from the previous movements; the pattern in recent quarters is largely related to changes in Canadian holdings of swapped deposits of residents with Canadian banks (funds converted into a foreign currency, usually United States dollars, which have been placed on term deposit with a bank and which the bank has undertaken through a forward contract to convert back into Canadian dollars at maturity).

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1964	1965	1965			1966	
			II Q	III Q	IV Q	I Q	II Q
			millions of dollars				
7.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 528	+ 138	+ 141	- 74	- 99	- 165	- 8
7.2 Canadian commercial paper, etc.	- 11	+ 10	+ 8	+ 3	-	- 12	- 6
7.3 Canadian finance paper	+ 196	- 162	- 2	- 61	- 65	+ 16	- 6
7.4 Canadian finance company obligations, n.i.e. ..	+ 52	+ 209	+ 99	+ 90	- 6	+ 34	- 12
7.5 All other transactions(1)	+ 246	+ 287	+ 32	+ 42	+ 243	- 9	+ 97
Total (Item D 17)	- 45	+ 482	+ 278	-	+ 73	- 136	+ 65

1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

Reverting to the pattern set in 1965, transactions in Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) led to a net outflow of \$6 million. Reductions in non-resident holdings of other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies) resulted in a net outflow of \$12 million. Additional finance company transactions which are not identified separately are included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. The total of all international capital transactions of these companies led to a net inflow of \$70 million and a net outflow of \$10 million in the first and second quarters of 1966, respectively.

Reductions in non-resident holdings of Canadian commercial paper (including bankers' acceptances) and other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) produced a net outflow of \$6 million. All other transactions led to a net inflow of \$97 million. These include changes in loans and accounts receivable and payable.

Official Holdings of Gold and Foreign Exchange and Canada's Balance with the IMF

Official holdings of gold and foreign exchange were reduced again during the second quarter of 1966, but there was some increase in Canada's balance with the IMF, so that Canada's net international monetary assets in these forms fell on balance by \$117 million, following a decline of \$139 million in the first quarter.

The decrease in official holdings of gold and United States dollars during the quarter amounted to \$181 million, expressed in Canadian funds, while corresponding holdings of sterling, which are confined to working balances, were little changed. Official holdings of gold and United States dollars expressed in terms of United States funds, amounted to \$2,342 million at June 30, 1966. This was \$323 million lower than at the beginning of the year. Declines occurred in each month. During each of the months of January, February and June the Exchange Fund Account sold \$50 million of gold to the United States. These transactions increased modestly the international liquidity situation but did not in themselves affect the total level of Canada's official holdings of gold and foreign exchange.

Canada's so-called "gold tranche position" with the IMF, together with loans made under the General Arrangements to Borrow, amounted to \$438.3 million, expressed in United States funds, at the end of the quarter, having increased by \$59.4 million during the second quarter and \$25.5 million during the first. The total represents the net resources made available by Canada to the IMF and may be drawn by Canada virtually automatically on statement of balance of payments need, although Canada would then be under an obligation to restore the figure to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

Two factors were responsible for the change in Canada's balance with the IMF during the second quarter of 1966. Accounting for \$11.9 million of the increase, in terms of United States funds, were net drawings of Canadian dollars by other countries. This figure was made up of drawings of Canadian dollars by other countries aggregating the equivalent of \$78.8 million in United States funds, and repurchases by them of their own currencies with Canadian currency equivalent to \$66.9 million in United States funds. In the first quarter drawings aggregated \$181.0 million and repurchases were equivalent to \$155.5 million, a net amount of \$25.5 million. Prominent among the totals in each quarter were drawings by the United States. As described in the last report, the Canadian dollars are resold by the United States to other countries wishing to make repayments to the IMF. Insofar as Canada is concerned, therefore, they are largely technical having no lasting effect on Canada's balance of payments since the repayments of Canadian dollars to the IMF by other countries offset the drawings of Canadian dollars from it by the United States.

The second factor in the change in Canada's balance with IMF arose from the increase in Canada's quota. During 1966 arrangements were completed for a general increase of 25 per cent of all quotas in the IMF, subject to deferred payments in the case of less developed countries facing payment difficulties. Additional increases in quotas were recommended for some member countries, including Canada, in view of the relatively high rate of growth of the economy and foreign trade of these countries, since the last revision of the quotas in 1959. When the Fund was established in 1945 Canada's quota was set at \$300 million and in 1959 this was increased to \$550 million. The further increase in 1966 raises Canada's quota to \$740 million. At this level, by size of quota, Canada ranked sixth among the 103 members of the IMF in mid-1966.

Under the Articles of Agreement 25 per cent of the quota is payable in gold and the remainder in domestic currency. The increase in the Canadian quota accordingly gave rise to the payment by Canada in gold to the IMF of \$47.5 million in terms of United States funds and to an increase in Canadian dollar liabilities to the IMF of \$142.5 million, again in terms of United States funds. The Canadian dollar equivalent of the gold payment is reflected as a reduction of Canada's official holdings of gold and foreign exchange in Item H1, and as an increase in Canada's balance with the IMF in Item H2. That part of the quota which is payable in Canadian dollars is not reflected in these items, since it gives rise to a simultaneous increase in assets and liabilities and the net balance with the IMF is not immediately affected, although the ability of the Fund to provide Canadian dollars to its members is enlarged.

It will be noted that Canada's official holdings of gold and United States dollars, together with Canada's net creditor position in the International Monetary Fund (Canada's balance with the IMF less Canadian quota payments in gold aggregating \$185 million), amounted at the end of the second quarter to \$2,595 million expressed in United States currency. This represented a reduction of some \$285 million from the beginning of the year. It will be recalled that in January, reporting to the House of Commons on balance of payments arrangements between Canada and the United States, the Minister of Finance noted that while Canadian reserves must be expected to fluctuate from month to month, the Canadian Government would consider it appropriate that such fluctuations take place at a figure somewhat lower than the mid-1963 figure, say, approximately \$2,600 million in United States funds. Consistent with these arrangements the Government repurchased in January 1966 about \$40 million of its outstanding United States dollar bonds which were held in the the United States. Further purchases of \$100 million were arranged in June, of which \$69 million was delivered in June and \$31 million after the end of the second quarter. As indicated elsewhere in this report special repurchases have been recorded in the balance of payments statistics as retirements of foreign-held Canadian bonds. In June the Government announced that it was seeking authority in the estimates to enable it to purchase outstanding securities of the International Bank for Reconstruction and Development held by United States residents. This would provide some flexibility in carrying out the arrangements made with the United States Government should the overall Canadian balance of payments be such as to require further action to attain the objective on which agreement had been reached.

United States Dollar in Canada

Exchange Holdings and IMF Balance

Period	High	Low	Close	Noon average	End of period	Official holdings of gold and United States dollars	Net balance with Inter- national Monetary Fund
Canadian cents					millions of United States dollars		
1964 I Q	108.09	107.94	108.06	108.02	1964 I Q	2,466	20
II Q	108.25	108.03	108.13	108.09	II Q	2,534	25
III Q	108.22	107.50	107.50	107.87	III Q	2,625	80
IV Q	107.63	107.25	107.38	107.46	IV Q	2,674	197
1965 I Q	108.44	107.31	107.97	107.71	1965 I Q	2,554	240
II Q	108.38	107.72	108.34	108.04	II Q	2,480	327
III Q	108.50	107.53	107.59	107.94	III Q	2,614	403
IV Q	107.78	107.38	107.50	107.53	IV Q	2,665	353
1966 I Q	107.81	107.34	107.72	107.58	1966 I Q	2,510	379
II Q	107.88	107.53	107.53	107.67	II Q	2,342	438
					April	2,469	392
					May	2,412	449
					June	2,342	438

Note: The table of exchange holdings does not include holdings of the Government of Canada at March 31, 1966 of \$174 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions			Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)	Total assets	Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold	Total liabi- lities	
	millions of United States dollars								
1947-61	550.0		550.0	412.5		- 99.6	25.0	337.9	212.1
1962			550.0		300.0	50.3		688.2	- 138.2
1963			550.0		- 79.7			608.5	- 58.5
1964		15.0	565.0	15.0	- 166.0	- 99.0	9.0	367.5	197.5
1965		35.0	600.0	35.0		- 183.4	27.5	246.6	353.4
1966 I Q			600.0			- 25.5		221.1	378.9
II Q	190.0		790.0	142.5		- 11.9		351.7	438.3

(1) This is a cumulative measure of the net resources provided by Canada to the IMF. The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents the so-called "gold tranche position" plus borrowing under the General Arrangements to Borrow (GAB). This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of the Quota.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

Annual and Quarterly Estimates of the
Canadian Balance of International Payments

Included within this report are tables containing annual estimates of the Canadian balance of international payments, bilaterally with the United States, the United Kingdom, other sterling area countries, other OECD countries in Europe, and all other countries for the years 1963 through 1965 (Table I), and quarterly estimates of the Canadian balance of international payments with the United States for the years 1963 through 1965 (Table IV B). Quarterly estimates for 1964 and 1965 with all countries may be derived from the regular two page table in this report, and corresponding data for 1963 may be derived from the report for the second quarter of 1965.

It may be noted that new data available only after 1963 covering the international foreign currency banking operations of the Canadian banks contributed to a significant discontinuity in item D 17 of the bilateral data between 1963 and 1964. These complex operations and their statistical implications were described in the quarterly report for second quarter 1965. The discontinuity at the end of 1963 implied an accumulated over-statement of net inflows from the United States and the United Kingdom of the order of \$200 million and \$250 million respectively, and a corresponding understatement of inflows from other overseas countries.

TABLE I. Annual Estimates of the Canadian Balance of International Payments, 1963-65

No.	Account	All countries			United States		
		1963	1964	1965 ^P	1963	1964	1965 ^P
millions of dollars							
A	Current receipts:						
1	Merchandise exports (adjusted).....	7,082	8,238	8,745	3,970	4,396	4,993
2	Mutual Aid to NATO countries	23	47	39	..	..	..
3	Gold production available for export	154	145	138	154	145	138
4	Travel expenditures	609	662	747	549	590	660
5	Interest and dividends	230	332	310	155	190	204
6	Freight and shipping.....	563	644	673	279	301	327
7	Inheritances and immigrants' funds	151	169	211	65	77	91
11	All other current receipts.....	473	557	640	336	359	393
12	Total current receipts.....	9,285	10,794	11,503	5,508	6,058	6,806
B	Current payments:						
1	Merchandise imports (adjusted).....	6,579	7,537	8,627	4,458	5,204	6,034
4	Travel expenditures	585	712	779	388	481	531
5	Interest and dividends	860	1,010	1,071	727	850	915
6	Freight and shipping	648	679	755	378	399	442
7	Inheritances and emigrants' funds	186	201	211	153	157	160
9	Official contributions	65	69	92	—	—	—
10	Mutual Aid to NATO countries	23	47	39	..	..	..
11	All other current payments.....	881	963	1,012	566	602	632
12	Total current payments.....	9,827	11,218	12,586	6,670	7,693	8,718
C	Current account balance:						
1	Merchandise trade	+ 503	+ 701	+ 118	- 488	- 808	- 1,041
2	Other transactions, excluding B 9	- 980	- 1,056	- 1,109	- 674	- 827	- 871
3	Official contributions	- 65	- 69	- 92	—	—	—
4	Totals	- 542	- 424	- 1,083	- 1,162	- 1,635	- 1,912
D	Capital account:						
	Direct investment:						
1	Direct investment in Canada	+ 280	+ 270	+ 405	+ 220	+ 188	+ 353
2	Direct investment abroad	- 135	- 95	- 125	- 36	- 35	- 70
	Canadian securities:						
3.1	Trade in outstanding bonds and debentures	+ 39	+ 77	+ 62	+ 35	+ 38	+ 28
3.2	Trade in outstanding common and preference stocks	- 170	- 98	- 264	- 99	- 52	- 183
4	New issues	+ 984	+ 1,100	+ 1,209	+ 930	+ 1,040	+ 1,166
5	Retirements	- 404	- 382	- 382	- 315	- 300	- 326
6,7,8	Foreign securities.....	+ 22	- 52	- 84	+ 25	- 41	- 72
	Loans and capital subscriptions by Government of Canada:						
9	Advances, etc.....	- 18	- 10	- 14	—	—	—
10	Repayments to Canada	+ 25	+ 10	+ 10	—	—	—
11	Columbia River Treaty, net	—	+ 54	+ 32	—	+ 54	+ 32
13	Long-term capital transactions n.i.e.....	+ 14	- 54	- 136	+ 83	+ 121	+ 36
	Change in Canadian dollar holdings of foreigners:						
14.1	Deposits	+ 43	+ 28	+ 31	+ 31	+ 34	+ 5
14.2	Government of Canada demand liabilities	+ 1	—	+ 2	- 1	- 2	- 2
14.3	Canadian treasury bills	- 27	- 16	+ 12	- 23	- 16	+ 7
17	Other capital movements	+ 34	- 45	+ 482	—	+ 610	- 518
E	Net capital movement (excluding monetary items shown below) in:						
1	Long-term forms (D 1 to D 13)	+ 637	+ 820	+ 713	+ 843	+ 1,013	+ 964
2	Short-term forms (D 14 to D 17)	+ 51	- 33	+ 527	+ 7	+ 626	- 508
3	Totals	+ 688	+ 787	+ 1,240	+ 850	+ 1,639	+ 456
G	Balance settled by exchange transfers	—	—	—	+ 371	+ 27	+ 1,499
H = C + E + G	Official monetary movements in the form of:						
1	Change in official holdings of gold and foreign exchange	+ 60	+ 86	- 11	+ 59	+ 31	+ 43
2	Change in net International Monetary Fund positions	+ 86	+ 277	+ 168	—	—	—
3	Other special international financial assistance	—	—	—	—	—	—

Notes:

A 2, B 10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.

D A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.

TABLE I. Annual Estimates of the Canadian Balance of International Payments, 1963-65

United Kingdom			Other sterling area			Other OECD Europe			All other countries			No.
1963	1964	1965 ^P	1963	1964	1965 ^P	1963	1964	1965 ^P	1963	1964	1965 ^P	
millions of dollars												
1,017	1,219	1,184	409	515	531	662	749	840	1,024	1,359	1,197	A 1
..	..	..	..	..	..	..	..	..	..	..	..	2
—	—	—	—	—	—	—	—	—	—	—	—	3
28	33	34	8	11	9	16	17	27	8	11	17	4
31	80	40	26	41	41	8	8	8	10	13	17	5
105	130	136	33	44	44	68	76	84	78	93	82	6
43	46	51	12	13	21	21	21	34	10	12	14	7
74	102	110	11	14	20	28	48	63	24	34	54	11
1,298	1,610	1,555	499	638	666	803	919	1,056	1,154	1,522	1,381	12
												B
521	584	624	418	417	385	474	558	707	708	774	877	1
70	80	89	21	23	27	86	105	106	20	23	26	4
82	104	91	1	1	1	48	52	57	2	3	3	5
94	89	95	5	7	11	137	146	161	34	38	46	6
15	24	30	4	5	4	11	11	13	3	4	4	7
—	—	—	57	58	73	2	1	1	6	10	18	9
..	..	..	..	..	..	..	..	..	..	..	..	10
102	124	116	23	26	30	145	153	169	45	58	65	11
884	1,005	1,045	529	537	531	903	1,026	1,214	818	910	1,039	12
												C
+ 496	+ 635	+ 560	- 9	+ 98	+ 146	+ 188	+ 191	+ 133	+ 316	+ 585	+ 320	1
- 82	- 30	- 50	+ 36	+ 61	+ 62	- 286	- 297	- 290	+ 26	+ 37	+ 40	2
—	—	—	- 57	- 58	- 73	- 2	- 1	- 1	- 6	- 10	- 18	3
+ 414	+ 605	+ 510	- 30	+ 101	+ 135	- 100	- 107	- 158	+ 336	+ 612	+ 342	4
												D
+ 38	+ 55	- 2	- 11	+ 4	+ 3	+ 37	+ 27	+ 47	- 4	- 4	+ 4	1
- 40	- 3	+ 2	- 13	- 35	- 38	- 33	- 18	- 17	- 13	- 4	- 2	2
—	—	—	—	—	—	—	—	—	—	—	—	
- 5	- 1	- 3	—	—	—	+ 6	+ 42	+ 31	+ 3	- 2	+ 6	3.1
- 55	- 27	- 50	—	—	—	- 16	- 19	- 31	—	—	—	3.2
+ 18	+ 22	+ 15	—	—	—	+ 22	+ 20	+ 28	+ 14	+ 18	—	4
- 40	- 39	- 23	—	—	—	- 42	- 31	- 25	- 7	- 12	- 8	5
- 2	- 8	- 1	—	- 3	- 4	—	+ 3	- 1	- 1	- 3	- 6	6,7,8
—	—	—	- 10	- 2	- 1	—	—	—	- 8	- 8	- 13	9
+ 18	—	—	+ 5	+ 8	+ 8	+ 2	+ 2	+ 2	—	—	—	10
—	—	—	—	—	—	—	—	—	—	—	—	11
- 12	+ 4	- 12	—	- 24	- 23	+ 20	- 3	+ 14	- 77	- 152	- 151	13
—	—	—	—	—	—	—	—	—	—	—	—	
+ 1	- 11	+ 16	+ 5	+ 5	- 2	+ 6	+ 1	+ 8	—	- 1	+ 4	14.1
—	—	—	—	—	—	—	—	—	+ 2	+ 2	+ 4	14.2
- 1	+ 1	- 1	—	—	—	+ 1	- 1	- 1	- 4	—	+ 7	14.3
- 16	- 621	+ 534	+ 9	- 10	+ 50	- 15	+ 35	+ 186	+ 56	- 59	+ 230	17
												E
- 80	+ 3	- 74	- 29	- 52	- 55	- 4	+ 23	+ 48	- 93	- 167	- 170	1
- 16	- 631	+ 549	+ 14	- 5	+ 48	- 8	+ 35	+ 193	+ 54	- 58	+ 245	2
- 96	- 628	+ 475	- 15	- 57	- 7	- 12	+ 58	+ 241	- 39	- 225	+ 75	3
- 317	+ 78	- 1,039	+ 45	- 44	- 128	+ 112	+ 49	- 83	- 211	- 110	- 249	G
												H = C + E + G
+ 1	+ 55	- 54	—	—	—	—	—	—	—	—	—	1
—	—	—	—	—	—	—	—	—	+ 86	+ 277	+ 168	2
—	—	—	—	—	—	—	—	—	—	—	—	3

Notes:

D / Also includes balancing item representing unrecorded capital movements and errors and omissions.

Preliminary estimate.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1963-65

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1963				1964				1965 ^P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars													
A	Current receipts:												
1	Merchandise exports (adjusted)	889	1,012	1,034	1,035	952	1,128	1,148	1,168	1,070	1,271	1,269	1,383
3	Gold production available for export	41	38	36	39	33	41	36	35	35	34	35	34
4	Travel expenditures	46	111	300	92	53	120	321	96	53	133	375	99
5	Interest and dividends	36	38	34	47	50	41	42	57	41	52	42	69
6	Freight and shipping	59	72	76	72	63	76	84	78	67	86	91	83
7	Inheritances and immigrants' funds	11	15	23	16	14	18	24	21	15	24	29	23
11	All other current receipts	81	85	85	85	88	89	90	92	96	97	101	99
12	Total current receipts	1,163	1,371	1,588	1,386	1,253	1,513	1,745	1,547	1,377	1,697	1,942	1,790
B	Current payments:												
1	Merchandise imports (adjusted)	1,030	1,159	1,084	1,185	1,231	1,409	1,230	1,334	1,376	1,547	1,422	1,689
4	Travel expenditures	79	110	130	69	109	131	149	92	113	149	176	93
5	Interest and dividends	158	170	147	252	192	188	182	288	200	219	192	308
6	Freight and shipping	71	97	108	102	76	106	112	105	86	119	122	115
7	Inheritances and emigrants' funds	34	35	41	43	35	36	43	43	35	36	44	45
9	Official contributions	—	—	—	—	—	—	—	—	—	—	—	—
11	All other current payments	139	145	138	144	151	150	148	153	156	157	156	163
12	Total current payments	1,511	1,716	1,648	1,795	1,794	2,020	1,864	2,015	1,966	2,227	2,112	2,413
C	Current account balance:												
1	Merchandise trade	- 141	- 147	- 50	- 150	- 279	- 281	- 82	- 166	- 306	- 276	- 153	- 306
2	Other transactions, excluding B 9	- 207	- 198	- 10	- 259	- 262	- 226	- 37	- 302	- 283	- 254	- 17	- 317
3	Official contributions	—	—	—	—	—	—	—	—	—	—	—	—
4	Totals	- 348	- 345	- 60	- 409	- 541	- 507	- 119	- 468	- 589	- 530	- 170	- 623
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 58	+ 25	+ 63	+ 74	+ 63	+ 29	+ 37	+ 59	+ 57	+ 113	+ 82	+ 101
2	Direct investment abroad	- 14	- 4	- 9	- 9	- 6	- 19	+ 17	- 27	- 41	+ 7	- 24	- 12
	Canadian securities:												
3.1	Trade in outstanding bonds and debentures	+ 19	+ 22	- 6	—	+ 1	+ 9	+ 22	+ 6	+ 6	+ 8	+ 16	- 2
3.2	Trade in outstanding common and preference stocks	- 31	- 29	- 14	- 25	- 30	- 1	+ 3	- 24	- 59	- 56	- 20	- 48
4	New issues	+ 397	+ 384	+ 89	+ 60	+ 129	+ 300	+ 96	+ 515	+ 271	+ 315	+ 286	+ 294
5	Retirements	- 50	- 149	- 39	- 77	- 88	- 88	- 54	- 70	- 58	- 160	- 41	- 67
6,7,8.	Foreign securities	+ 3	+ 22	- 2	+ 2	- 6	- 29	- 2	- 4	- 24	- 18	- 23	- 7
	Loans and capital subscriptions by Government of Canada:												
9	Advances, etc.	—	—	—	—	—	—	—	—	—	—	—	—
10	Repayments to Canada	—	—	—	—	—	—	—	—	—	—	—	—
11	Columbia River Treaty, net	—	—	—	—	—	—	+ 54	—	—	—	—	+ 32
13	Long-term capital transactions n.i.e.	+ 14	- 19	+ 31	+ 57	- 2	+ 32	+ 69	+ 22	+ 47	- 13	+ 3	- 1
	Change in Canadian dollar holdings of foreigners:												
14.1	Deposits	- 16	+ 30	- 3	+ 20	+ 9	- 1	- 24	+ 50	+ 24	- 27	- 19	+ 27
14.2	Government of Canada demand liabilities	—	—	- 1	—	—	—	—	- 2	- 1	- 1	—	—
14.3	Canadian treasury bills	+ 2	- 7	+ 6	- 24	- 5	+ 4	- 5	- 10	+ 5	- 2	—	+ 4
17	Other capital movements	- 49	+ 102	- 185	+ 132	+ 271	+ 309	- 106	+ 136	- 204	- 163	- 275	+ 124
E	Net capital movement (excluding monetary items shown below) in:												
1	Long-term forms (D1 to D13)	+ 396	+ 252	+ 113	+ 82	+ 61	+ 233	+ 242	+ 477	+ 199	+ 196	+ 279	+ 290
2	Short-term forms (D14 to D17)	- 63	+ 125	- 183	+ 128	+ 275	+ 312	- 135	+ 174	- 176	- 193	- 294	+ 155
3	Totals	+ 333	+ 377	- 70	+ 210	+ 336	+ 545	+ 107	+ 651	+ 23	+ 3	- 15	+ 445
G	Balance settled by exchange transfers	+ 80	+ 67	- 3	+ 227	+ 65	+ 36	+ 88	- 162	+ 409	+ 528	+ 330	+ 232
H = C + E + G	Official monetary movements in the form of:												
1	Change in official holdings of gold and foreign exchange	+ 65	+ 99	- 133	+ 28	- 140	+ 74	+ 76	+ 21	- 157	+ 1	+ 145	+ 54
2	Change in net International Monetary Fund position	—	—	—	—	—	—	—	—	—	—	—	—
3	Other special international financial assistance	—	—	—	—	—	—	—	—	—	—	—	—

^P Preliminary estimate.

QUARTERLY STATISTICS OF THE CANADIAN
BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1964 - SECOND QUARTER 1966

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1966 are preliminary and data for 1965 are subject to revision

No.		1964			1965	
		II	III	IV	I	II
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,198	2,182	2,128	1,826	2,191
3	Gold production available for export	41	36	35	35	34
4	Travel expenditures	140	351	112	63	158
5	Interest and dividends	60	54	151	67	73
6	Freight and shipping	164	176	171	143	172
7	Inheritances and immigrants' funds	43	50	44	42	55
11	All other current receipts	136	140	148	155	156
12	Total current receipts	2,782	2,989	2,789	2,331	2,839
B	Current payments:					
1	Merchandise imports (adjusted)	2,047	1,827	1,968	1,865	2,218
4	Travel expenditures	187	238	137	152	210
5	Interest and dividends	219	219	333	240	252
6	Freight and shipping	175	187	181	155	198
7	Inheritances and emigrants' funds	47	58	56	43	49
9	Official contributions	16	22	19	23	20
11	All other current payments	241	230	241	248	252
12	Total current payments	2,932	2,781	2,935	2,726	3,199
C	Current account balance:					
1	Merchandise trade	+ 151	+ 355	+ 160	- 39	- 27
2	Other transactions, excluding B 9	- 285	- 125	- 287	- 333	- 313
3	Official contributions	- 16	- 22	- 19	- 23	- 20
4	Total	- 150	+ 208	- 146	- 395	- 360
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 32	+ 51	+ 102	+ 70	+ 126
2	Direct investment abroad	- 58	+ 6	- 11	- 44	-
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	+ 15	+ 36	+ 22	+ 4	+ 21
3.2	Trade in outstanding common and preference stocks	- 9	- 5	- 40	- 91	- 83
4	New issues	+ 322	+ 109	+ 531	+ 283	+ 321
5	Retirements	- 117	- 60	- 95	- 68	- 178
6,7,8	Foreign securities	- 34	- 4	- 10	- 38	- 8
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	-	- 1	- 8	-	-
10	Repayments to Canada	+ 3	+ 1	+ 2	+ 5	+ 2
11	Columbia River Treaty, net	-	+ 54	-	-	-
13	Long-term capital transactions n.i.e.	- 21	+ 25	- 21	+ 7	- 67
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	- 9	- 36	+ 53	+ 38	- 37
14.2	Government of Canada demand liabilities	- 3	-	+ 3	- 1	- 4
14.3	Canadian treasury bills	+ 14	- 16	- 18	+ 27	- 10
17	Other capital movements	+ 83	- 212	- 183	+ 131	+ 278
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 133	+ 212	+ 472	+ 128	+ 134
2	Short-term forms (D14 to D17)	+ 85	- 264	- 145	+ 195	+ 227
3	Total	+ 218	- 52	+ 327	+ 323	+ 361
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	+ 62	+ 97	+ 54	- 118	- 92
2	Change in net International Monetary Fund position	+ 6	+ 59	+ 127	+ 46	+ 93
3	Other special international financial assistance	-	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1966 are preliminary and data for 1965 are subject to revision

1965		1966		Annual totals			Four quarters ended June 30, 1966	No.
III	IV	I	II	1963	1964	1965		
millions of dollars								
2,263	2,465	2,212	2,586	7,082	8,238	8,745	9,526	A
35	34	34	29	154	145	138	132	1
415	111	73	177	609	662	747	776	3
70	100	67	69	230	332	310	306	4
181	177	152	175	563	644	673	685	5
63	51	44	68	151	169	211	226	6
159	170	164	171	473	557	640	664	7
3,186	3,108	2,746	3,275	9,262	10,747	11,464	12,315	11
								12
2,102	2,442	2,218	2,606	6,579	7,537	8,627	9,368	B
271	146	180	240	585	712	779	837	1
230	349	258	261	860	1,010	1,071	1,098	4
204	198	164	206	648	679	755	772	5
61	58	36	44	186	201	211	199	6
31	18	33	14	65	69	92	96	7
251	261	261	256	881	963	1,012	1,029	9
3,150	3,472	3,150	3,627	9,804	11,171	12,547	13,399	11
								12
+ 161	+ 23	- 6	- 20	+ 503	+ 701	+ 118	+ 158	C
- 94	- 369	- 365	- 318	- 980	- 1,056	- 1,109	- 1,146	1
- 31	- 18	- 33	- 14	- 65	- 69	- 92	- 96	2
+ 36	- 364	- 404	- 352	- 542	- 424	- 1,083	- 1,084	3
								4
+ 96	+ 113	+ 110	+ 155	+ 280	+ 270	+ 405	+ 474	D
- 53	- 28	- 20	- 40	- 135	- 95	- 125	- 141	1
								2
+ 37	+ 5	- 11	- 24	+ 39	+ 77	+ 67	+ 7	3.1
- 28	- 62	- 13	- 43	- 170	- 98	- 264	- 146	3.2
+ 294	+ 311	+ 579	+ 347	+ 984	+ 1,100	+ 1,209	+ 1,531	4
- 56	- 80	- 113	- 150	- 404	- 382	- 382	- 399	5
- 23	- 15	- 70	- 90	+ 22	- 52	- 84	- 198	6,7,8
-	- 14	- 6	- 3	- 18	- 10	- 14	- 23	9
+ 1	+ 2	+ 2	+ 2	+ 25	+ 10	+ 10	+ 7	10
-	+ 32	-	-	-	+ 54	+ 32	+ 32	11
- 52	- 29	- 28	+ 25	+ 14	- 54	- 141	- 84	13
- 19	+ 49	- 15	- 7	+ 43	+ 28	+ 31	+ 8	14.1
- 5	+ 12	- 6	- 2	+ 1	-	+ 2	- 1	14.2
- 2	- 3	- 8	-	- 27	- 16	+ 12	- 13	14.3
-	+ 73	- 136	+ 65	+ 34	- 45	+ 482	+ 2	17
+ 216	+ 235	+ 430	+ 179	+ 637	+ 820	+ 713	+ 1,060	E
- 26	+ 131	- 165	+ 56	+ 51	- 33	+ 527	- 4	1
+ 190	+ 366	+ 265	+ 235	+ 688	+ 787	+ 1,240	+ 1,056	2
								3
+ 144	+ 55	- 166	- 181	+ 60	+ 86	- 11	- 148	H = C+E
+ 82	- 53	+ 27	+ 64	+ 86	+ 277	+ 168	+ 120	1
-	-	-	-	-	-	-	-	2
								3

es: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

CATALOGUE No.

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QUARTERLY



QUARTERLY ESTIMATES OF THE CANADIAN
BALANCE OF INTERNATIONAL PAYMENTS
THIRD QUARTER 1966



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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER 1966

High levels of exports in the third quarter contributed to an unusually large surplus from merchandise transactions. Although the deficit from non-merchandise was also larger, the current account surplus in the quarter, normally a period of strength, rose to \$128 million compared with \$36 million a year earlier. Non-merchandise payments included greatly enlarged contributions of official aid which also influenced the level of exports.

After adjustment for seasonal factors, which are unfavourable in the second quarter but favourable in the third, the current account deficit widened from \$233 million to \$256 million at quarterly rates.

Capital movements in long-term forms produced a typically sizable surplus, although recurring elements tended to be smaller than usual. There were large outflows of capital in short-term forms, and official monetary assets fell.

Disputes in the transportation industry in Canada and elsewhere, both in the third and preceding quarters, influenced many of these items in a variety of ways.

Summary Statement

	1964	1965	1965		1966		
			III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
Merchandise trade balance	+ 701	+ 118	+ 161	+ 23	- 2	+ 7	+ 331
Deficit on non-merchandise transactions	- 1,125	- 1,201	- 125	- 387	- 399	- 350	- 203
Current account balance	- 424	- 1,083	+ 36	- 364	- 401	- 343	+ 128
Capital movements (1)	+ 787	+ 1,240	+ 190	+ 366	+ 262	+ 226	- 213
Long-term forms	+ 820	+ 713	+ 216	+ 235	+ 433	+ 198	+ 221
Short-term forms	- 33	+ 527	- 26	+ 131	- 171	+ 28	- 434
Change in official holdings of gold, foreign exchange, and net balance with International Monetary Fund	+ 363	+ 157	+ 226	+ 2	- 139	- 117	- 85

(1) Excluding change in official exchange holdings.

Current Transactions in the Nine Months

At \$616 million, Canada's deficit for the first three quarters of 1966 on transactions in current goods and services with other countries was \$103 million or roughly 14 per cent lower than the total of \$719 million for the same period of 1965. The nine month total for 1966 was considerably higher than the deficits of \$278 million and \$409 million for the first three quarters of 1964 and 1963, respectively, but lower than in the immediately preceding years. The narrowing in the current account deficit in 1966 was wholly attributable to the expansion in the merchandise trade surplus, as the deficit on non-merchandise transactions widened. The favourable development resulted from an improvement in Canada's current surplus with other countries which was over twice the magnitude of the combined deterioration in the balances with the United States and United Kingdom.

The surplus on merchandise trade for the first three quarters of 1966 of \$336 million was about 3 1/2 times as large as \$95 million for the same period of 1965. Merchandise exports (adjusted for balance of payments use) gained \$1,203 million, or 19 per cent, from \$6,280 million to \$7,483 million. The expansion in merchandise imports was smaller: \$962 million or 15 1/2 per cent from \$6,185 million to \$7,147 million in the nine months of 1966. Because of the adjustments being largely offsetting over the three quarters, the above estimates of trade adjusted on a payments basis were only slightly different from the cumulative totals published in the Trade of Canada.

Summary of Current Transactions with the United States, United Kingdom and Other Countries
1965 and 1966, and Changes Between the Periods

	1965	1966	Change	1965	1966	Change
	millions of dollars					
<u>Third quarter</u>	<u>All Countries</u>			<u>United States</u>		
Merchandise exports (adjusted)	2,263	2,685	+ 422	1,269	1,542	+ 273
Merchandise imports (adjusted)	2,102	2,354	+ 252	1,422	1,633	+ 211
Balance on merchandise trade	+ 161	+ 331	+ 170	- 153	- 91	+ 62
Other current receipts	923	982	+ 59	673	701	+ 28
Other current payments	1,048	1,185	+ 137	690	756	+ 66
Balance on non-merchandise transactions ...	- 125	- 203	- 78	- 17	- 55	- 38
Total receipts	3,186	3,667	+ 481	1,942	2,243	+ 301
Total payments	3,150	3,539	+ 389	2,112	2,389	+ 277
Current account balance	+ 36	+ 128	+ 92	- 170	- 146	+ 24
<u>January to September</u>						
Merchandise exports (adjusted)	6,280	7,483	+ 1,203	3,610	4,496	+ 886
Merchandise imports (adjusted)	6,185	7,147	+ 962	4,345	5,179	+ 834
Balance on merchandise trade	+ 95	+ 336	+ 241	- 735	- 683	+ 52
Other current receipts	2,076	2,193	+ 117	1,406	1,463	+ 57
Other current payments	2,890	3,145	+ 255	1,960	2,115	+ 155
Balance on non-merchandise transactions ...	- 814	- 952	- 138	- 554	- 652	- 98
Total receipts	8,356	9,676	+ 1,320	5,016	5,959	+ 943
Total payments	9,075	10,292	+ 1,217	6,305	7,294	+ 989
Current account balance	- 719	- 616	+ 103	- 1,289	- 1,335	- 46
<u>Third quarter</u>	<u>United Kingdom</u>			<u>Other Countries</u>		
Merchandise exports (adjusted)	309	304	- 5	685	839	+ 154
Merchandise imports (adjusted)	154	170	+ 16	526	551	+ 25
Balance on merchandise trade	+ 155	+ 134	- 21	+ 159	+ 288	+ 129
Other current receipts	107	106	- 1	143	175	+ 32
Other current payments	128	129	+ 1	230	300	+ 70
Balance on non-merchandise transactions ...	- 21	- 23	- 2	- 87	- 125	- 38
Total receipts	416	410	- 6	828	1,014	+ 186
Total payments	282	299	+ 17	756	851	+ 95
Current account balance	+ 134	+ 111	- 23	+ 72	+ 163	+ 91
<u>January to September</u>						
Merchandise exports (adjusted)	872	861	- 11	1,798	2,126	+ 328
Merchandise imports (adjusted)	451	475	+ 24	1,389	1,493	+ 104
Balance on merchandise trade	+ 421	+ 386	- 35	+ 409	+ 633	+ 224
Other current receipts	280	279	- 1	390	451	+ 61
Other current payments	320	332	+ 12	610	698	+ 88
Balance on non-merchandise transactions ...	- 40	- 53	- 13	- 220	- 247	- 27
Total receipts	1,152	1,140	- 12	2,188	2,577	+ 389
Total payments	771	807	+ 36	1,999	2,191	+ 192
Current account balance	+ 381	+ 333	- 48	+ 189	+ 386	+ 197

Of the rise in merchandise exports of \$1,203 million, about \$215 million, or 18 per cent, was attributable alone to shipments of wheat. Increases in excess of \$150 million arose from the Russian account; and shipments to Mainland China and to India (under the bilateral food aid programme) were larger, respectively, by roughly \$64 million and \$48 million. Shipments to Japan were about \$10 million higher in the nine months of 1966. Decreases in wheat exports to certain other Eastern European countries exceeded \$30 million and to other OECD countries in Europe amounted to about \$10 million.

An increase of a further \$350 million, approximately, originated in exports of motor vehicles and parts. Substantial gains of roughly \$200 million took place in shipments of non-ferrous metals (notably copper) and non-metallic minerals including crude petroleum and asbestos. Exports of pulp, newsprint and paper products were about \$100 million larger in the nine months of 1966, with newsprint accounting for almost three-quarters of this gain. Deliveries of a variety of other commodities in the food group (meat, wheat flour, and whisky), machinery and equipment, fertilizers, aircraft parts and firearms increased less substantially. Shipments, on the other hand, of iron ores, uranium, softwood lumber and aircraft were down in varying degrees.

On the basis of incomplete detailed tabulation of commodity details, in the neighbourhood of 10 per cent of the rise of \$962 million in the imports was ascribable to manufactured commodities. Of this increase, transportation and communication equipment accounted for well over \$300 million, with motor vehicles and parts accounting for a preponderant share of this rise. Imports of machinery increased well over \$150 million. The balance of the addition was distributed over a wide range of commodities: communication equipment, electronic computers, scientific instruments, office equipment, coal, fabrics, plastics and chemicals, non-ferrous alloys, foodstuff and other consumer goods. Decreases were recorded in imports of iron ores and scrap, fabricated steel materials, and crude petroleum.

The average price of commodity imports was about 1 1/2 per cent higher in the three quarters of 1966, but the average export prices were well over 3 1/2 per cent higher. Increases were larger in each of the quarters, with the rise exceeding 4 per cent in the September quarter.

Major Items in the Balance on Non-Merchandise Transactions

	First nine months			Change in 1966
	1964	1965	1966	
	millions of dollars			
Gold production available for export	+ 110	+ 104	+ 93	- 11
Travel expenditures	- 25	+ 3	- 35	- 38
Interest and dividends	- 496	- 512	- 579	- 67
Freight and shipping	- 25	- 61	- 60	+ 1
Inheritances and migrants' funds	- 20	+ 7	+ 54	+ 47
Official contributions	- 50	- 74	- 134	- 60
11 other current transactions	- 313	- 281	- 291	- 10
Balance on non-merchandise transactions	- 819	- 814	- 952	- 138

Rise in Deficit on Services and Other Non-merchandise Transactions

The deficit on non-merchandise transactions widened by \$138 million, or 17 per cent, to \$952 million in the first three quarters of 1966. Except for a substantial improvement of \$47 million in the net receipts of migrants' funds and inheritances, the balances for other "invisible" items deteriorated in varying degrees. The most notable changes were an increase of \$67 million in the net payments of interest and dividends, a rise of \$60 million in Canada's official contributions and a change of \$38 million from a small surplus on travel account to a deficit of \$35 million.

Over four-fifths of the \$38 million rise in the travel deficit occurred in transactions with the United States. Canada's surplus with this country contracted 25 per cent from \$123 million to \$92 million in the nine months of 1966. Both the receipts and payments reached record high levels for the first three quarters of \$612 million and \$520 million, respectively, but the increase of \$82 million in the payments exceeded that of \$51 million for the receipts from United States visitors. Similarly in travel transactions with overseas countries, the gain in receipts from \$75 million to \$90 million was smaller than the increase in Canadian travel expenditures overseas from \$195 million to \$217 million in the nine months of 1966.

Travel Expenditures

	First nine months			Change in 1966
	1964	1965	1966	
millions of dollars				
United States:				
Receipts ...	494	561	612	+ 51
Payments ...	389	438	520	+ 82
Balance	+ 105	+ 123	+ 92	- 31
Overseas:				
Receipts ...	56	75	90	+ 15
Payments ...	186	195	217	+ 22
Balance	- 130	- 120	- 127	- 7
All countries:				
Receipts ...	550	636	702	+ 66
Payments ...	575	633	737	+ 104
Balance	- 25	+ 3	- 35	- 38

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1964	1,010	335	675
1965	1,071	372	699
1964 I Q ...	239	73	166
II Q ...	219	94	125
III Q ...	219	71	148
IV Q ...	333	97	236
1965 I Q ...	240	77	163
II Q ...	252	108	144
III Q ...	230	78	152
IV Q ...	349	109	240
1966 I Q ...	258	91	167
II Q ...	263	118	145
III Q ...	242	95	147

Net payments of interest and dividends rose by \$67 million or 13 per cent to \$579 million in the first nine months of 1966. Receipts of interest and dividends, at \$184 million, were \$26 million lower and reflected a reduction in dividend receipts to a more normal level following unusually large receipts from direct investment during the corresponding period of 1965. Interest and dividend payments expanded by \$42 million to \$763 million. This increase, which was limited to payments of interest, was mainly attributable to large sales of new corporate and provincial bonds to non-residents in earlier quarters. Almost 61 per cent of the total deficit on non-merchandise transactions for the first nine months of 1966 was attributable to interest and dividends.

Official contributions of \$134 million in the nine months of 1966 exceeded the comparable total of \$74 million in the corresponding period of 1965 by \$60 million, or over 80 per cent. The largest part of the increase occurred in the third quarter when Canada's foreign aid in goods and services amounted to \$87 million. Nearly \$60 million of this total represented shipments of wheat and a further \$13 million cash contributions under the multilateral aid programmes. At \$93 million, gold production available for export was \$11 million lower than the value of \$104 million for the first three quarters of 1965. Net payments on other government transactions, personal and institutional remittances, and business services were moderately higher. With about the same increase in receipts from \$496 million to \$518 million and in payments from \$557 million to \$578 million, the deficit on freight and shipping services narrowed by \$1 million to \$60 million. These estimates were influenced by work stoppages in the transportation industry both in Canada and in the United Kingdom during this period. Net receipts of migrants' funds and inheritances expanded \$47 million to \$54 million, as immigration in the three quarters of 1966 of over 144,500 persons was a third higher than some 108,400 persons in the first nine months of 1965. At the same time, Canadian emigration to the United States was sharply lower, particularly in the earlier part of 1966.

Current Transactions in the Third Quarter (Seasonally adjusted)

From a low level in the first quarter of 1966, Canada's current account deficit, after allowance for seasonal variations, continued to widen in the third quarter. This estimate of \$256 million, seasonally adjusted at quarterly rates, compared with that of \$233 million for the second quarter. The total of current receipts for goods and services rose over 4 1/2 per cent from \$3,192 million to \$3,341 million in the third quarter, while total imports increased 5 per cent from \$3,425 million to \$3,597 million. The enlargement in the deficit in the second quarter resulted from a reduction in the trade surplus. The expansion in the third quarter arose entirely from non-merchandise transactions, as the export surplus of \$131 million regained the level of the first quarter. Between the two most recent quarters, merchandise exports gained over 5 per cent from \$2,472 million to \$2,606 million. Merchandise imports increased more than 3 per cent from \$2,395 million to \$2,475 million.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

		Goods			Services			Total	Total	Current
		Exports	Imports	Balance	Receipts(1)	Pay-ments(2)	Balance	receipts	pay-ments	account balance
millions of dollars										
1965	I Q ...	2,071	2,026	+ 45	666	936	- 270	2,737	2,962	- 225
	II Q ...	2,138	2,077	+ 61	680	981	- 301	2,818	3,058	- 240
	III Q ...	2,203	2,163	+ 40	705	1,002	- 297	2,908	3,165	- 257
	IV Q ...	2,333	2,361	- 28	668	1,001	- 333	3,001	3,362	- 361
	Year	8,745	8,627	+ 118	2,719	3,920	- 1,201	11,464	12,547	- 1,083
1966	I Q ...	2,514	2,382	+ 132	707	1,021	- 314	3,221	3,403	- 182
	II Q ...	2,472	2,395	+ 77	720	1,030	- 310	3,192	3,425	- 233
	III Q ...	2,606	2,475	+ 131	735	1,122	- 387	3,341	3,597	- 256

(1) Including immigrants' funds and inheritances, by quarters in 1965: 52, 53, 53 and 53.
 (2) Including emigrants' funds and inheritances: 52, 51, 55 and 53.

Labour disputes in the transportation industry during the nine months of 1966 in Canada and in the United Kingdom affected particularly the trade flows and the freight and shipping transactions.

The sharp rise in the non-merchandise deficit from \$310 million to \$387 million in the third quarter originated mainly from large shipments of wheat and other food commodities under the international food aid programmes. These shipments contributed at the same time to the third quarter gain in merchandise exports. Wheat deliveries to India alone approached \$60 million and much smaller amounts of wheat flour were sent to Ghana and the UNRWA.

Larger net payments of interest, dividends and travel expenditures together accounted for a further \$29 million of the expansion in the deficit on "invisibles".

Non-merchandise Transactions in 1966

(Seasonally adjusted at quarterly rates)

	Receipts			Payments			Balance		
	I Q	II Q	III Q	I Q	II Q	III Q	I Q	II	III Q
millions of dollars									
Sold production available for export ..	35	28	30	-	-	-	+ 35	+ 2	30
Travel expenditures	202	210	211	216	223	234	- 14	- 13	23
Interest and dividends	79	81	65	277	282	285	- 198	- 201	220
Freight and shipping	176	172	179	196	196	197	- 20	- 24	18
Inheritances and migrants' funds	54	65	69	44	47	52	+ 10	+ 18	17
All other transactions	161	164	181	288	282	354	- 127	- 118	173
Totals	707	720	735	1,021	1,030	1,122	- 314	- 310	387

Transactions by Areas

Canada's deficit with the United States on current transactions widened \$46 million or 3 1/2 per cent from \$1,289 million in the first three quarters of 1965 to \$1,335 million in the same period of 1966, and this change was attributable wholly to non-merchandise transactions. The decline of 12 1/2 per cent in the current surplus with the United Kingdom from \$381 million to \$333 million arose from both merchandise and non-merchandise transactions. Canada's current surplus with other countries roughly

doubled from \$189 million to \$386 million in the nine months of 1966, with the gain originating entirely from merchandise trade. With the current surplus narrowing with other countries in the sterling area and with the current deficit improving only moderately with other OECD countries in Europe, most of the sharp increase in the surplus with the whole group took place in Canada's current transactions with the remaining countries.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1964	- 541	- 507	- 119	- 468	- 1,635
1965	- 589	- 530	- 170	- 623	- 1,912
1966	- 599	- 590	- 146		
United Kingdom:					
1964	+ 87	+ 149	+ 156	+ 213	+ 605
1965	+ 106	+ 141	+ 134	+ 129	+ 510
1966	+ 104	+ 118	+ 111		
Other countries:					
1964	+ 118	+ 208	+ 171	+ 109	+ 606
1965	+ 88	+ 29	+ 72	+ 130	+ 319
1966	+ 94	+ 129	+ 163		

Total receipts from the United States for the exports of goods and services rose nearly 19 per cent from \$5,016 million to \$5,959 million. Total payments at the same time increased from \$6,305 million to \$7,294 million, or by over 15 1/2 per cent. With merchandise exports advancing \$886 million, or 24 1/2 per cent, to \$4,496 million as compared with an increase of \$834 million, or 19 per cent, in merchandise imports, the trade deficit narrowed from \$735 million to \$683 million in the three quarters of 1966. Increases in commodity trade were concentrated on industrial materials and manufactured goods (notably motor vehicles and parts). The increase of \$98 million in net payments to the United States on non-merchandise transactions from \$554 million to \$652 million was distributed over a number of items. Interest and dividends accounted for 45 per cent of the deterioration, travel expenditures another \$31 million, government transactions (in-

cluding payments of service charges for the construction of military aircraft) well over \$20 million and the value of gold production available for export \$11 million. Other items including freight and shipping services, miscellaneous income and personal remittances contributed smaller amounts. An important exception was migrants' funds and inheritances, whose deficit narrowed considerably as a result of the reduction in the number of Canadians going to the United States for permanent residence.

The 12 1/2 per cent contraction in the current surplus with the United Kingdom arose as a result of a small decline in total receipts from \$1,152 million to \$1,140 million and a slightly larger increase in total payments from \$771 million to \$807 million. Similar changes were reflected in merchandise trade, with the exports totalling \$872 million and \$861 million respectively in the nine months of 1965 and 1966, and the imports amounting to \$451 million and \$475 million, respectively. Most of the import rise occurred in manufactured goods. Interest and dividends contributed most to the increase in net service payments, while migrants' funds and inheritances provided the principal offset.

The doubling of the current surplus with other countries to \$386 million resulted from a rise of \$389 million in total receipts from \$2,188 million to \$2,577 million, offset in part by an increase in total payments of \$192 million from \$1,999 million to \$2,191 million. About 95 per cent of the export advance from \$1,798 million to \$2,126 million occurred in shipments to other countries outside the sterling area. Enlarged shipments of wheat accounted for about two-thirds of the increased exports to other countries as a whole. The smaller rise in imports from \$1,389 million to \$1,493 million was distributed over the three component areas, and manufactured goods appeared to be the most important contributor. The sharp rise in official contributions to the countries in the sterling area in particular and to the remaining countries outside of the OECD group largely accounted for the expansion in the non-merchandise deficit from \$220 million to \$247 million in the nine months of 1966.

Canada's current account deficit with the United States in the third quarter of 1966 (excluding gold production available for export, which is conventionally attributed to the United States account) was \$176 million. Capital movements in long-term forms between the two countries produced an inflow of \$300 million, while there were net outflows of \$438 million from transactions in short-term forms (apart from changes in official holdings of gold and United States dollars). In sum, these transactions with the United States gave rise to net payments by Canada of \$314 million. This figure followed \$364 million in the second quarter and \$95 million in the first quarter, when there was an unusually large reduction of \$153 million in net undelivered new issues of Canadian bonds. The nine-month total of these payments, aggregating \$773 million was below the extraordinarily high levels prevailing a year earlier, but was nevertheless higher than for many earlier periods and indicated a continuation of the contribution of transactions with Canada to the strength of the balance of payments position of the United States.

Financing of Canada's Bilateral Account with the United States

	1963	1964	1965	1965			1966		
				II Q	III Q	IV Q	I Q	II Q	III Q
	millions of dollars								
<u>Transactions with the United States:</u> (1)									
Current account balance	- 1,316	- 1,780	- 2,050	- 564	- 205	- 657	- 633	- 619	- 176
Capital movements in long-term forms	+ 843	+ 1,013	+ 964	+ 196	+ 279	+ 290	+ 482	+ 234	+ 300
Capital movements in short-term forms (2)	+ 7	+ 626	- 508	- 193	- 294	+ 155	+ 56	+ 21	- 438
Totals	- 466	- 141	- 1,594	- 561	- 220	- 212	- 95	- 364	- 314
<u>Financing:</u>									
Transactions with rest of world:									
Current account balance	+ 620	+ 1,211	+ 829	+ 170	+ 206	+ 259	+ 198	+ 247	+ 274
Capital movements in long-term forms	- 206	- 193	- 251	- 62	- 63	- 55	- 49	- 36	- 79
Capital movements in short-term forms (2)	+ 44	- 659	+ 1,035	+ 420	+ 268	- 24	- 227	+ 7	+ 4
Sub-total	+ 458	+ 359	+ 1,613	+ 528	+ 411	+ 180	- 78	+ 218	+ 199
Gold production available for export	+ 154	+ 145	+ 138	+ 34	+ 35	+ 34	+ 34	+ 29	+ 30
Increase (-) in official Canadian holdings of gold, foreign exchange, net asset with the IMF, etc.	- 146	- 363	- 157	- 1	- 226	- 2	+ 139	+ 117	+ 85
Totals	+ 466	+ 141	+ 1,594	+ 561	+ 220	+ 212	+ 95	+ 364	+ 314

- 1) Excluding gold production available for export and changes in official monetary assets, shown with financing.
- 2) There is a discontinuity at the end of 1963 in the allocation bilaterally of capital movements in short-term forms, implying accumulated earlier net overstatements of inflows from the United States and corresponding net understatements of inflows from the rest of the world of the order of \$200 million.

With the United Kingdom and other overseas countries the pattern of imbalance resumed its complementary role to that with the United States. The net current surplus of \$274 million was offset only to the extent of \$75 million by outward capital movements, an outflow in long-term forms of \$79 million and an inflow of \$4 million in short-term forms. These net receipts of \$199 million in the third quarter followed \$218 million in the second quarter and an unusual payments balance of \$78 million in the first quarter, when there were exceptionally large withdrawals from the Canadian banking system of foreign currency deposits by overseas customers.

The net payments imbalance from these groups of transactions amounting to \$115 million was financed by a net reduction of \$85 million in official holdings of gold, foreign exchange, and IMF balance, and by Canadian gold production of \$30 million.

Included in the bilateral movements described above were the effects of the international foreign currency operations of the Canadian banking system. Net spot holdings of foreign currency assets by the chartered banks rose \$52 million (on a transactions basis) during the quarter. Claims on residents of the United States rose by \$165 million, while liabilities to them fell by \$78 million. With overseas countries assets fell by \$42 million and liabilities by \$70 million. Foreign currency claims on Canadians fell by \$11 million and liabilities to Canadians rose \$208 million. Thus the increase of \$52 million in net foreign currency assets of the banks reflected declines of \$219 million with residents of Canada and increases of \$243 million and \$28 million in net assets with residents of the United States and of overseas countries respectively.

Abstracting the net outward movement of \$271 million with non-residents by or through the Canadian banking system, all other capital movements in the third quarter produced \$58 million made up of \$105 million from the United States reduced by an outflow of \$47 million to overseas countries.

Over the first nine months of 1966 changes in the foreign exchange position of the Canadian banks and of their Canadian customers led to net capital outflows aggregating \$383 million representing a partial reversal of the net inflows in these forms aggregating \$426 million in the year 1965. The 1966 movements included \$218 million to the United States, largely occurring in the third quarter, and \$165 million to overseas countries which largely occurred in the first quarter.

Capital Movements

Summary	1964	1965	1965		1966		
			III Q	IV Q	I Q	II Q	III Q
millions of dollars							
Capital movements in long-term forms	+ 820	+ 713	+ 216	+ 235	+ 433	+ 198	+ 221
Capital movements in short-term forms ...	- 33	+ 527	- 26	+ 131	- 171	+ 28	- 434
Balance on goods and services	- 424	- 1,083	+ 36	- 364	- 401	- 343	+ 128
Change in official holdings of gold, foreign exchange, and net balance with the International Monetary Fund	+ 363	+ 157	+ 226	+ 2	- 139	- 117	- 85

There was a net capital outflow from Canada in the third quarter of 1966. This arose from changes in private and banking holdings of exchange and from other short-term movements. Movements in long-term forms produced a net inflow of \$221 million, up moderately from the figure of \$198 million in the second quarter of 1966, and roughly comparable to the balance of \$216 million a year earlier. These inward movements in the third quarter of 1966 were dominated by a major transaction in the private sector which involved offsetting outflows in short-term account. Contributing to the inflows was a net reduction of \$78 million in undelivered new issues of Canadian bonds sold to residents of the United States. As in earlier quarters of the year there were outflows in long-term forms arising from official transactions associated with the understanding in respect of an appropriate level of Canadian reserves. The unusually strong current account balance in the third quarter, normally one of seasonal strength, has already been noted. Completing this summary statement, Canada's official holdings of gold and foreign exchange, together with the net balance with the International Monetary Fund, fell by \$85 million.

Capital Movements in Long-Term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1963	+ 637	+ 426
1964	+ 820	+ 749
1965	+ 713	+ 972
1964 I Q ..	+ 3	- 33
II Q ..	+ 133	+ 88
III Q ..	+ 212	+ 401
IV Q ..	+ 472	+ 293
1965 I Q ..	+ 128	+ 209
II Q ..	+ 134	+ 105
III Q ..	+ 216	+ 331
IV Q ..	+ 235	+ 327
1966 I Q ..	+ 433	+ 280
II Q ..	+ 198	+ 234
III Q ..	+ 221	+ 143

Direct Investment

The net capital inflow for direct investment in foreign-controlled enterprises in Canada fell to \$130 million in the third quarter of 1966 from the unusually high level recorded in the previous period when special transactions contributed significantly to the total. Almost 90 per cent of the inflow came from the United States. Industrial groups which received the bulk of this inflow were petroleum and natural gas, manufacturing and mining. There were a number of transactions associated with the acquisition of Canadian firms by non-residents and conversely with the repatriation of foreign-owned Canadian enterprises. However these transactions were individually, relatively small and collectively tended to balance each other out.

The normal pattern of flows in connection with Canadian direct investment abroad was reversed with a net inflow of \$90 million dominated by a special transaction involving the sale of its foreign subsidiary by a Canadian corporation in the petroleum industry. (Other flows connected with the

ransaction are included in items covering short-term capital movements). The balance of the remaining ransactions produced a capital outflow principally to the United States, the United Kingdom and Common- ealth countries.

Security Transactions

Transactions in portfolio securities between Canada and other countries during the third quarter f 1966 resulted in a net capital inflow of \$39 million, somewhat less than the inflow of \$50 million egistered in the second quarter. Net sales of Canadian issues during the quarter fell by \$25 million o \$115 million while net purchases of foreign securities declined to \$76 million from \$90 million in e second quarter. (It should be noted that these figures do include purchases in the third quarter y the Government of Canada from United States residents of some \$25 million of United States dollar ecurities issued by the International Bank for Reconstruction and Development).

New Issues of Canadian Bonds Sold to United States Residents

Period	Offer- ings	De- liveries	Un- delivered(1)
millions of dollars			
1964	957	1,028	51
1965	1,408	1,149	310
1965 I Q ...	344	263	132
II Q ...	282	311	103
III Q ...	399	284	218
IV Q ...	383	291	310
1966 I Q ...	365	518	157
II Q ...	384	348	193
III Q ...	195	273	115

(1) At end of period.

arter. Retirements of direct issues of the Government of Canada totalled \$50 million and included an ount of \$31 million (expressed in United States funds) repurchased by the Government of Canada in a rther special transaction associated with the adjustment of Canada's exchange reserve position. This llows similar transactions in January and June involving repurchases of some \$40 million and \$69 llion respectively.

Detail of Transactions in Foreign Securities

Item	1965		1966		
	III Q	IV Q	I Q	II Q	III Q
millions of dollars					
Outstanding issues ..	- 18	- 5	- 46	- 89	- 74(1)
New issues	- 8	- 14	- 27	- 7	- 5
Retirements	+ 3	+ 4	+ 3	+ 6	+ 3
Totals ..	- 23	- 15	- 70	- 90	- 76

Includes purchases by the Government of Canada from United States residents of some \$25 million of outstanding bonds issued by the International Bank for Reconstruction and Development.

(1) A minus sign indicates an outflow of capital from Canada.

The value of new Canadian issues sold to non-residents declined during the third quarter to \$288 million. Sales of new municipal issues fell sharply from \$57 million in the previous quarter to a low \$5 million while sales of new provincial issues contracted by \$75 million to \$94 million. In contrast, sales of new bonds issued by corporations rose by \$56 million to \$175 million. Total offerings of new issues of Canadian bonds and debentures to residents of the United States dropped to \$195 million. Transactions in outstanding Canadian securities during the quarter gave rise to a net capital outflow of \$83 million. Net repurchases of foreign-held common and preference stocks at \$33 million were somewhat lower than in the second quarter but the net outflow for the repatriation of outstanding bonds and debentures doubled to \$50 million, as a result of a \$25 million increase in net repurchases of Government of Canada direct issues. Retirements of Canadian securities, at \$90 million, returned to a more normal level following the large outflow of \$152 million in the second

The net capital outflow from transactions in foreign securities during the third quarter fell to \$76 million. Net purchases of outstanding United States common and preference stocks continued to be a major feature of trading, and produced a net capital outflow of \$50 million. The special purchase of IBRD bonds was also significant, contributing \$25 million to the outflow. Purchases of foreign new issues led to an outflow of \$5 million while retirements gave rise to an inflow of \$3 million.

Other Capital Flows in Long-term Forms

Disbursements by the Government of Canada under intergovernmental loan programmes and for subscription payments to international investment institutions aggregated \$9 million in the third quarter of 1966, following amounts of \$6 million and \$3 million in the first and second quarters respectively. The third quarter figure includes about \$2 million drawn by sterling area countries

on the programme of soft loans described in an earlier report. Drawings during the first nine months by Ceylon, India, Nigeria, Pakistan and Trinidad have totalled \$9 million. These relatively modest outflows represent the early stages of an extensive and important part of Canada's future programme of external aid.

The third quarter also saw payments by Canada of about \$7 million by way of subscriptions to international investment agencies. Some \$4.5 million of this reflected payments in connection with the increase in Canada's subscription to shares of the International Bank for Reconstruction and Development. Canada's subscription, expressed in terms of United States dollars, is now \$792 million, having been increased from \$750 million, and now represents 3.50 per cent of the total share subscription, the sixth largest holding. The additional subscription involved payments in the third quarter of \$420 thousand in United States funds and the Canadian dollar equivalent of \$3,780 thousand in non-negotiable non-interest bearing demand notes; the remaining amount of the additional subscription, equivalent to \$37,800 thousand is subject to call to meet obligations of the Bank. In the third quarter there were also payments aggregating \$2.7 million representing part of Canada's subscription to the newly-established Asian Development Bank. (The Canadian dollar portions of the payments made to these two international organizations involve an increase in the Canadian dollar liabilities of the government of Canada which is reflected in item D 14.2 of the capital account.)

Detail of Long-Term Capital Transactions n.i.e.

Item D13

Year and quarter		Export credits(1)			Finance com- panies(2)	Other	Total
		Advances	Repay- ments	Net			
millions of dollars							
1963	.....	- 107	+ 35	- 72	+ 11	+ 75	+ 14
1964	.....	- 321	+ 157	- 164	- 6	+ 116	- 54
1965	.....	- 252	+ 65	- 187	- 3	+ 54	- 136
1964	I Q	- 38	+ 7	- 31	+ 4	- 10	- 37
	II Q	- 75	+ 23	- 52	+ 6	+ 25	- 21
	III Q	- 123	+ 77	- 46	- 14	+ 85	+ 25
	IV Q	- 85	+ 50	- 35	- 2	+ 16	- 21
1965	I Q	- 59	+ 17	- 42	- 1	+ 50	+ 7
	II Q	- 74	+ 13	- 61	- 6	+ 5	- 62
	III Q	- 76	+ 22	- 54	+ 4	- 2	- 52
	IV Q	- 43	+ 13	- 30	-	+ 1	- 29
1966	I Q	- 45	+ 21	- 24	-	- 6	- 30
	II Q	- 55	+ 71	+ 16	- 4	+ 2	+ 14
	III Q	- 79	+ 47	- 32	- 3	+ 5	- 30

(1) Export credits from Canada directly or indirectly at risk of the Government of Canada.

(2) Finance company borrowing not included in items D1, 3, 4, 5, 17.3 or 17.4.

In the opposite direction, principal repayments of \$1 million on earlier inter-governmental loans were small.

Turning now to capital flows during the third quarter associated with the financing of exports directly or indirectly at the risk of the Government of Canada, the normal pattern was re-established with a net outflow of \$32 million. In the second quarter accelerated repayments under old contracts with United States residents and substantial maturities in connection with wheat sales to Sino-Soviet countries were prominent among receipts and contributed to net inflows of \$16 million, while in the first quarter there were net outflows of \$24 million. Advances and repayments in the third quarter were both large and were, as might be expected, associated to a considerable extent with the financing of wheat sales to Sino-Soviet countries. While the financing of other commodities aggregated more than \$40 million in the first nine months of the year, repayments were also large and the net credits of some \$40 million provided during this period can all be attributed to wheat.

All other transactions in long-term forms were large and included substantial amounts of bank loans but they were largely offsetting and the net movement represented an inflow of only \$2 million.

Capital Movements in Short-Term Forms

Capital movements in short-term forms led to a net outflow of \$434 million in the third quarter compared with an inflow of \$28 million in the previous quarter. On balance this outflow went to the United States as there was an inflow from the United Kingdom equal in magnitude to the outflow recorded to other countries.

Non-resident holdings of Canadian dollars rose by \$27 million in the period under review, a swing of \$36 million from the second quarter's \$9 million decrease. The inflow was accounted for primarily by an increase in foreign holdings of Canadian dollar deposits. Smaller increases were also recorded for non-resident holdings of Government of Canada demand liabilities and treasury bills.

As indicated in the supplementary statement covering "Other Capital Movements", for the fifth successive quarter there was a net outflow to increase Canadian holdings of bank balances and other short-term funds abroad (excluding official reserves). The net outflow increased sharply to \$296 million in the third quarter. Among significant factors was a further rise in Canadian holdings of swapped deposits with Canadian banks (funds converted into a foreign currency, usually United States dollars, which have been placed on term deposit with a bank and which the bank has undertaken through a forward contract to convert back into Canadian dollars at maturity). There were also temporary increases in holdings representing the employment of some capital receipts.

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1964	1965	1965		1966		
			III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
7.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 528	+ 138	- 74	- 99	- 165	- 9	- 296
7.2 Canadian commercial paper, etc.	- 11	+ 10	+ 3	-	- 12	- 5	+ 10
7.3 Canadian finance paper	+ 196	- 162	- 61	- 65	+ 23	- 6	- 60
7.4 Canadian finance company obligations, n.i.e.	+ 52	+ 209	+ 90	- 6	+ 34	- 12	+ 32
7.5 All other transactions(1)	+ 246	+ 287	+ 42	+ 243	- 22	+ 69	- 147
Total (Item D 17)	- 45	+ 482	-	+ 73	- 142	+ 37	- 461

1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

The net outflow from transactions in Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) increased sharply to \$60 million in the third quarter. However, increased holdings by non-residents of other finance company obligations of short-term nature (which include borrowings from foreign banks and advances from parent companies) resulted in a net inflow of \$32 million. Additional finance company transactions which are not identified separately are included with capital movements in long-term forms, notably in new issues and retirements of securities. The total of all international capital transactions of these companies led to a net inflow of \$110 million in the first quarter of 1966 and net outflows of \$10 million and \$15 million in the second and third quarters.

International transactions in Canadian commercial paper (including bankers' acceptances) and other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) produced a net inflow of \$10 million. All other transactions, such as changes in loans and accounts receivable and payable led to a net outflow of \$147 million following an inflow of \$69 million in the second quarter. There are some grounds for believing that both underlying and statistical effects of strikes in producing and transportation industries in these periods may have influenced this pattern.

Official Holdings of Gold and Foreign Exchange and Canada's Balance with the IMF

Official holdings of gold and foreign exchange were reduced again during the third quarter of 1966, but there was some increase in Canada's balance with the International Monetary Fund, so that Canada's net international monetary assets in these forms fell on balance by \$85 million, following a decline of \$256 million in the first half of the year.

The decrease in official holdings of gold and United States dollars during the quarter amounted to \$105 million, expressed in Canadian funds, while corresponding holdings of sterling, which are confined to working balances, were little changed. Official holdings of gold and United States dollars expressed in terms of United States funds, amounted to \$2,244 million at September 30, 1966, \$421 million lower than at the beginning of the year. Declines occurred in each month. During each of the months of January, February, June and July the Exchange Fund Account sold \$50 million of gold. These transactions increased modestly the international liquidity situation but did not in themselves affect the total level of Canada's official holdings of gold and foreign exchange.

Canada's so-called "gold tranche position" with the IMF, together with loans made under the General Arrangements to Borrow, amounted to \$457.0 million, expressed in United States funds, at the end of the quarter, having increased by \$18.7 million during the third quarter and \$84.9 million during the first half of the year. The total represents the net resources made available by Canada to the IMF and may be drawn by Canada virtually automatically on statement of balance of payments need, although Canada would then be under an obligation to restore the figure to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

Accounting entirely for the third quarter increase were net drawings of Canadian dollars by other countries, made up of drawings by them aggregating the equivalent of \$153.3 million in United States funds, and repurchases by them of their own currencies with Canadian currency equivalent to \$134.6 million in United States funds. In the first half of the year drawings aggregated \$259.8 million and repurchases were equivalent to \$222.4 million, a net amount of \$37.4 million. Prominent among the totals in each quarter were drawings by the United States. As described in earlier reports, these Canadian dollars are resold by the United States to other countries wishing to make repayments to the IMF. Insofar as Canada is concerned, therefore, they are largely technical having no lasting effect on Canada's balance of payments since the repayments of Canadian dollars to the IMF by other countries offset the drawings of Canadian dollars from it by the United States.

A second factor in the change in Canada's balance with the IMF in the first half of the year arose from the increase in Canada's quota, which gave rise to the payment by Canada in gold to the IMF of \$47.5 million in terms of United States funds and to an increase in Canadian dollar liabilities to the IMF of \$142.5 million, again in terms of United States funds. The Canadian dollar equivalent of the gold payment is reflected as a reduction of Canada's official holdings of gold and foreign exchange in Item H1, and as an increase in Canada's balance with the IMF in Item H2.

It will be noted that Canada's official holdings of gold and United States dollars, together with Canada's net creditor position in the International Monetary Fund (Canada's balance with the IMF less Canadian quota payments in gold aggregating \$185 million), amounted at the end of the third quarter to \$2,516 million expressed in United States currency. This represented a reduction of some \$364 million from the beginning of the year. It will be recalled that in January, reporting to the House of Commons on balance of payments arrangements between Canada and the United States, the Minister of Finance noted that while Canadian reserves must be expected to fluctuate from month to month, the Canadian Government would consider it appropriate that such fluctuations take place at a figure somewhat lower than the mid-1963 figure, say, approximately \$2,600 million in United States funds. Consistent with these arrangements the Government repurchased in the first half of 1966 about \$109 million of its outstanding United States dollar bonds which were held in the United States. Further purchases of \$31 million arranged in the second quarter were delivered in the third. These special repurchases have been recorded in the balance of payments statistics as retirements of foreign-held Canadian bonds. In the third quarter the Government also availed itself of the authority it had obtained to purchase outstanding securities of the International Bank for Reconstruction and Development held by United States residents. This was intended to provide some flexibility in carrying out the arrangements made with the United States Government should the overall Canadian balance of payments be such as to require further action to attain the objective on which agreement had been reached. Purchases in the third quarter were of the order of \$25 million and brought the Government's operations of this nature during 1966 to a total of about \$165 million.

United States Dollar in Canada

Period	High	Low	Close	Noon average
Canadian cents				
1964 III Q ..	108.22	107.50	107.50	107.87
IV Q ..	107.63	107.25	107.38	107.46
1965 I Q ..	108.44	107.31	107.97	107.71
II Q ..	108.38	107.72	108.34	108.04
III Q ..	108.50	107.53	107.59	107.94
IV Q ..	107.78	107.38	107.50	107.53
1966 I Q ..	107.81	107.34	107.72	107.58
II Q ..	107.88	107.53	107.53	107.67
III Q ..	107.78	107.34	107.78	107.54

Exchange Holdings and IMF Balance

End of period	Official holdings of gold and United States dollars	Net balance with International Monetary Fund
millions of United States dollars		
1964 III Q	2,625	80
IV Q	2,674	197
1965 I Q	2,554	240
II Q	2,480	327
III Q	2,614	403
IV Q	2,665	353
1966 I Q	2,510	379
II Q	2,342	438
III Q	2,244	457
July	2,315	440
August	2,281	447
September	2,244	457

Note: The table of exchange holdings does not include holdings of the Government of Canada at September 30, 1966 of \$174 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Sub- crip- tion (Quota)	Loans (GAB)		Sub- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold		
								Total liabi- lities	
millions of United States dollars									
1947-61	550.0		550.0	412.5		- 99.6	25.0	337.9	212.1
1962			550.0		300.0	50.3		688.2	- 138.2
1963			550.0		- 79.7			608.5	- 58.5
1964		15.0	565.0	15.0	- 166.0	- 99.0	9.0	367.5	197.5
1965		35.0	600.0	35.0		- 183.4	27.5	246.6	353.4
1966 I Q			600.0			- 25.5		221.1	378.9
II Q	190.0		790.0	142.5		- 11.9		351.7	438.3
III Q			790.0			- 18.7		333.0	457.0

(1) This is a cumulative measure of the net resources provided by Canada to the IMF. The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents the so-called "gold tranche position" plus borrowing under the General Arrangements to Borrow (GAB). This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of the Quota.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1966 are preliminary and data for 1965 are subject to revision

No.		1964		1965		
		III	IV	I	II	III
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,182	2,128	1,826	2,191	2,263
3	Gold production available for export	36	35	35	34	35
4	Travel expenditures	351	112	63	158	415
5	Interest and dividends	54	151	67	73	70
6	Freight and shipping	176	171	143	172	181
7	Inheritances and immigrants' funds	50	44	42	55	63
11	All other current receipts	140	148	155	156	159
12	Total current receipts	2,989	2,789	2,331	2,839	3,186
B	Current payments:					
1	Merchandise imports (adjusted)	1,827	1,968	1,865	2,218	2,102
4	Travel expenditures	238	137	152	210	271
5	Interest and dividends	219	333	240	252	230
6	Freight and shipping	187	181	155	198	204
7	Inheritances and emigrants' funds	58	56	43	49	61
9	Official contributions	22	19	23	20	31
11	All other current payments	230	241	248	252	251
12	Total current payments	2,781	2,935	2,726	3,199	3,150
C	Current account balance:					
1	Merchandise trade	+ 355	+ 160	- 39	- 27	+ 161
2	Other transactions, excluding B 9	- 125	- 287	- 333	- 313	- 94
3	Official contributions	- 22	- 19	- 23	- 20	- 31
4	Total	+ 208	- 146	- 395	- 360	+ 36
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 51	+ 102	+ 70	+ 126	+ 96
2	Direct investment abroad	+ 6	- 11	- 44	-	- 53
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	+ 36	+ 22	+ 4	+ 16	+ 37
3.2	Trade in outstanding common and preference stocks	- 5	- 40	- 91	- 83	- 28
4	New issues	+ 109	+ 531	+ 283	+ 321	+ 294
5	Retirements	- 60	- 95	- 68	- 178	- 56
6,7,8	Foreign securities	- 4	- 10	- 38	- 8	- 23
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	- 1	- 8	-	-	-
10	Repayments to Canada	+ 1	+ 2	+ 5	+ 2	+ 1
11	Columbia River Treaty, net	+ 54	-	-	-	-
13	Long-term capital transactions n.i.e.	+ 25	- 21	+ 7	- 62	- 52
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	- 36	+ 53	+ 38	- 37	- 19
14.2	Government of Canada demand liabilities	-	+ 3	- 1	- 4	- 5
14.3	Canadian treasury bills	- 16	- 18	+ 27	- 10	- 2
17	Other capital movements	- 212	- 183	+ 131	+ 278	-
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 212	+ 472	+ 128	+ 134	+ 216
2	Short-term forms (D14 to D17)	- 264	- 145	+ 195	+ 227	- 26
3	Total	- 52	+ 327	+ 323	+ 361	+ 190
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	+ 97	+ 54	- 118	- 92	+ 144
2	Change in net International Monetary Fund position	+ 59	+ 127	+ 46	+ 93	+ 82
3	Other special international financial assistance	-	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1966 are preliminary and data for 1965 are subject to revision

1965	1966			Annual totals			Four quarters ended Sept. 30, 1966	No.
IV	I	II	III	1963	1964	1965		
millions of dollars								
2,465	2,212	2,586	2,685	7,082	8,238	8,745	9,948	A
34	34	29	30	154	145	138	127	1
111	73	177	452	609	662	747	813	3
100	67	69	48	230	332	310	284	4
177	152	174	192	563	644	673	695	5
51	44	68	81	151	169	211	244	6
170	161	163	179	473	557	640	673	7
3,108	2,743	3,266	3,667	9,262	10,747	11,464	12,784	11
								12
2,442	2,214	2,579	2,354	6,579	7,537	8,627	9,589	B
146	180	240	317	585	712	779	883	1
349	258	263	242	860	1,010	1,071	1,112	4
198	161	204	213	648	679	755	776	5
58	36	44	59	186	201	211	197	6
18	33	14	87	65	69	92	152	7
261	262	265	267	881	963	1,012	1,055	9
3,472	3,144	3,609	3,539	9,804	11,171	12,547	13,764	11
								12
+ 23	- 2	+ 7	+ 331	+ 503	+ 701	+ 118	+ 359	C
- 369	- 366	- 336	- 116	- 980	- 1,056	- 1,109	- 1,187	1
- 18	- 33	- 14	- 87	- 65	- 69	- 92	- 152	2
- 364	- 401	- 343	+ 128	- 542	- 424	- 1,083	- 980	3
								4
								D
+ 113	+ 110	+ 175	+ 130	+ 280	+ 270	+ 405	+ 528	1
- 28	- 20	- 40	+ 90	- 135	- 95	- 125	+ 2	2
+ 5	- 11	- 24	- 50	+ 39	+ 77	+ 62	- 80	3.1
- 62	- 13	- 42	- 33	- 170	- 98	- 264	- 150	3.2
+ 311	+ 583	+ 358	+ 288	+ 984	+ 1,100	+ 1,209	+ 1,540	4
- 80	- 112	- 152	- 90	- 404	- 382	- 382	- 434	5
- 15	- 70	- 90	- 76	+ 22	- 52	- 84	- 251	6,7,8
- 14	- 6	- 3	- 9	- 18	- 10	- 14	- 32	9
+ 2	+ 2	+ 2	+ 1	+ 25	+ 10	+ 10	+ 7	10
+ 32	-	-	-	-	+ 54	+ 32	+ 32	11
- 29	- 30	+ 14	- 30	+ 14	- 54	- 136	- 75	13
+ 49	- 15	- 7	+ 20	+ 43	+ 28	+ 31	+ 47	14.1
+ 12	- 6	- 2	+ 5	+ 1	-	+ 2	+ 9	14.2
- 3	- 8	-	+ 2	- 27	- 16	+ 12	- 9	14.3
+ 73	- 142	+ 37	- 461	+ 34	- 45	+ 482	- 493	17
								E
+ 235	+ 433	+ 198	+ 221	+ 637	+ 820	+ 713	+ 1,087	1
+ 131	- 171	+ 28	- 434	+ 51	- 33	+ 527	- 446	2
+ 366	+ 262	+ 226	- 213	+ 688	+ 787	+ 1,240	+ 641	3
								H = C+E
+ 55	- 166	- 181	- 105	+ 60	+ 86	- 11	- 397	1
- 53	+ 27	+ 64	+ 20	+ 86	+ 277	+ 168	+ 58	2
-	-	-	-	-	-	-	-	3

D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

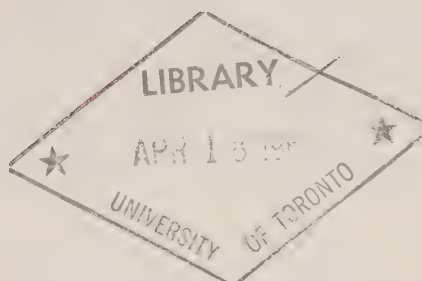
D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER 1966

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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER 1966 AND PRELIMINARY ESTIMATES FOR THE YEAR 1966

The year 1966 was one of continued economic growth in North America, with a relatively full use of industrial capacity. Economic activity was also buoyant with many overseas trading partners. Canada's current account deficit narrowed some 9 per cent and dipped below the \$1 billion level. This contraction was of about the same magnitude as the decline in the persistent trade deficit with the United States. A variety of factors contributed to the improvement in the current international balance, including a reduction in the imbalance in the trade in automotive products, a swelling of wheat shipments to the U.S.S.R., Mainland China and other communist countries, rising net receipts of migrants' funds and foreign expenditures in preparation for Expo 67. Enlarged official contributions, higher interest and dividend payments and recurring industrial disputes were unfavourable influences.

Inflows of capital in 1966 of some \$625 million, about one-half as large as in the preceding year, covered less than two-thirds of the current account deficit. The official reserve declined by about \$360 million. Inflows of long-term capital totalling about \$950 million were the highest in recent years. The movement however of \$325 million in short-term forms was outward following a substantial inflow of roughly \$525 million in 1965.

Summary Statement

	1964	1965	1966	1965	1966				
				IV Q	I Q	II Q	III Q	IV Q	
	millions of dollars								
Merchandise trade balance	+ 701	+ 118	+ 380	+ 23	- 1	+ 7	+ 300	+ 74	
Deficit on non-merchandise transactions	- 1,125	- 1,201	- 1,363	- 387	- 404	- 337	- 184	- 438	
Current account balance	- 424	- 1,083	- 983	- 364	- 405	- 330	+ 116	- 364	
Capital movements(1)	+ 787	+ 1,240	+ 624	+ 366	+ 267	+ 213	- 201	+ 345	
Long-term forms	+ 820	+ 713	+ 949	+ 235	+ 449	+ 214	+ 197	+ 89	
Short-term forms	- 33	+ 527	- 325	+ 131	- 182	- 1	- 398	+ 256	
Change in official holdings of gold, foreign exchange, and net balance with International Monetary Fund	+ 363	+ 157	- 359	+ 2	- 138	- 117	- 85	- 19	

(1) Excluding change in official exchange holdings.

In 1966 Canada's deficit on international transactions in goods and services was estimated at \$983 million, which was \$100 million or about 9 per cent lower than in 1965. The 1966 deficit stood at the level of 1961, but was higher than the imbalances of the three following years. The improvement in the most recent year originated strictly from merchandise transactions, as the non-merchandise deficit increased some 13 per cent to the highest recorded level of \$1,363 million in 1966. The merchandise trade surplus more than tripled from \$118 million to \$380 million. This export surplus was higher than any other year in the sixties except 1963 and 1964, when the surpluses were roughly \$500 million and \$700 million respectively.

The narrowing in the current account deficit originated in Canada's transactions with countries other than the United States and United Kingdom. As the balances with the rest of the sterling area and with other OECD countries in Europe became less favourable in 1966, the sharp rise in the current account surplus with the remaining countries entirely accounted for the improvement for the whole group of other countries.

Summary of Current Transactions with the United States, United Kingdom and Other Countries
1965 and 1966, and Changes Between the Periods

	1965	1966	Change	1965	1966	Change
	millions of dollars					
<u>Fourth quarter</u>	<u>All Countries</u>			<u>United States</u>		
Merchandise exports (adjusted)	2,465	2,790	+ 325	1,383	1,746	+ 363
Merchandise imports (adjusted)	2,442	2,716	+ 274	1,689	1,960	+ 271
Balance on merchandise trade	+ 23	+ 74	+ 51	- 306	- 214	+ 92
Other current receipts	643	715	+ 72	407	419	+ 12
Other current payments	1,030	1,153	+ 123	724	827	+ 103
Balance on non-merchandise transactions ...	- 387	- 438	- 51	- 317	- 408	- 91
Total receipts	3,108	3,505	+ 397	1,790	2,165	+ 375
Total payments	3,472	3,869	+ 397	2,413	2,787	+ 374
Current account balance	- 364	- 364	-	- 623	- 622	+ 1
<u>January to December</u>						
Merchandise exports (adjusted)	8,745	10,270	+ 1,525	4,993	6,241	+ 1,248
Merchandise imports (adjusted)	8,627	9,890	+ 1,263	6,034	7,166	+ 1,132
Balance on merchandise trade	+ 118	+ 380	+ 262	- 1,041	- 925	+ 116
Other current receipts	2,719	2,952	+ 233	1,813	1,903	+ 90
Other current payments	3,920	4,315	+ 395	2,684	2,960	+ 276
Balance on non-merchandise transactions ...	- 1,201	- 1,363	- 162	- 871	- 1,057	- 186
Total receipts	11,464	13,222	+ 1,758	6,806	8,144	+ 1,338
Total payments	12,547	14,205	+ 1,658	8,718	10,126	+ 1,408
Current account balance	- 1,083	- 983	+ 100	- 1,912	- 1,982	- 70
<u>Fourth quarter</u>	<u>United Kingdom</u>			<u>Other Countries</u>		
Merchandise exports (adjusted)	312	272	- 40	770	772	+ 2
Merchandise imports (adjusted)	173	162	- 11	580	594	+ 14
Balance on merchandise trade	+ 139	+ 110	- 29	+ 190	+ 178	- 12
Other current receipts	91	112	+ 21	145	184	+ 39
Other current payments	101	103	+ 2	205	223	+ 18
Balance on non-merchandise transactions ...	- 10	+ 9	+ 19	- 60	- 39	+ 21
Total receipts	403	384	- 19	915	956	+ 41
Total payments	274	265	- 9	785	817	+ 32
Current account balance	+ 129	+ 119	- 10	+ 130	+ 139	+ 9
<u>January to December</u>						
Merchandise exports (adjusted)	1,184	1,133	- 51	2,568	2,896	+ 328
Merchandise imports (adjusted)	624	635	+ 11	1,969	2,089	+ 120
Balance on merchandise trade	+ 560	+ 498	- 62	+ 599	+ 807	+ 208
Other current receipts	371	391	+ 20	535	658	+ 123
Other current payments	421	433	+ 12	815	922	+ 107
Balance on non-merchandise transactions ...	- 50	- 42	+ 8	- 280	- 264	+ 16
Total receipts	1,555	1,524	- 31	3,103	3,554	+ 451
Total payments	1,045	1,068	+ 23	2,784	3,011	+ 227
Current account balance	+ 510	+ 456	- 54	+ 319	+ 543	+ 224

Improvement in the Merchandise Trade Balance

The \$262 million expansion in the merchandise trade surplus to \$380 million resulted from a larger rise in merchandise exports than in imports. In reaching the record levels of \$10,270 million and \$9,890 million in 1966, merchandise exports advanced roughly 17 1/2 per cent and commodity imports increased more than 14 1/2 per cent over 1965. The estimate of \$10,270 million differed only slightly from the Trade of Canada total for 1966, as the adjustments required for balance of payments use practically counterbalanced one another. These adjustments in 1965, in particular to reflect the excess of the value of deliveries over receipts of progress payments on defence goods, had the effect of reducing the recorded export total for the year by more than \$20 million.

Merchandise imports adjusted for balance of payments purpose were estimated in 1966 to be about \$5 million higher than the Trade of Canada total largely on account of progress payments made on civil aircraft orders. Offsetting adjustments reduced merchandise imports in 1965 by approximately \$5 million.

More than one-half of the gain of \$1,525 million in merchandise exports in 1966 was attributable to increases in two commodity groups. Wheat shipments rose about \$200 million to top \$1 billion, and exports of automotive products, in continuation of the rapid expansion of the preceding year, increased about \$600 million to approach a total of \$1 billion for 1966. At the same time an increase of about \$80 million raised the total of imports of automotive products to approximately \$1,650 million. In this connection the rises in exports and imports covering the two year period 1965 and 1966 were very similar - about \$780 million for exports and roughly \$800 million in the case of imports.

On the basis of incomplete detailed records for 1966, individually less substantial but still large increase occurred in exports of several other commodity groups. Non-ferrous metals, in particular copper and to a lesser extent aluminum, accounted for in the neighbourhood of \$150 million of the increase in merchandise exports. The group including wood pulp, newsprint, paper and wood products, recorded a gain of similar size in 1966, with newsprint alone accounting for about \$100 million of the increase. Shipments abroad of Canadian machinery appeared to have risen more than \$60 million and those of aircraft parts somewhat less. Exports of communication, navigation and other types of equipment together increased about \$50 million, petroleum and gas some \$40 million, and potassium and fertilizers roughly \$30 million. Smaller gains took place in shipments of a variety of commodities including wheat flour, whisky, hides and skins, seeds, asbestos, chemicals and firearms. The value of aircraft and engines shipped abroad declined substantially in 1966, and uranium exports continued to fall.

In reaching the total of \$9,890 million in 1966, merchandise imports recorded the largest annual increase of \$1,263 million from the preceding year. About three-eighths of this expansion was attributable to the growth in the imports of automotive products from \$1,168 million to nearly \$1,650 million in 1966. Imports of all types of machinery appeared to have been about \$200 million higher in 1966, and those of a variety of equipment rose by about the same amount. In the latter group, increased imports of electronic computers, and communication, measuring and office equipment were particularly notable. Imports of a host of other commodities were larger in 1966, including beef, dairy produce, vegetables, fabrics, coal, fertilizers, synthetic rubber and plastics, non-ferrous metallic alloys, bolts, nuts, pipe fittings, chain, aircraft and many consumer goods. On the other hand, imports of a number of commodities were lower. These included sugar, coffee, tea, cotton, scrap iron, petroleum and fuel oil, and fabricated steel materials, such as bars, rods, plate, sheet, strip and structural shapes.

The average prices of Canadian exports continued to increase during 1966, and for the year as a whole were roughly 4 per cent higher than in 1965. In the first quarter these prices were about 3 1/2 per cent more and in the closing quarter about 4 1/2 per cent above the same periods of 1965. The average import prices, on the other hand, rose roughly 1 1/2 per cent in 1966; and Canada's terms of trade improved.

Balances on Principal Non-Merchandise Transactions

	1964	1965	1966	Change in 1966
	millions of dollars			
Gold production available for export	+ 145	+ 138	+ 125	- 13
Travel expenditures	- 50	- 32	- 60	- 28
Interest and dividends	- 678	- 761	- 884	- 123
Freight and shipping	- 35	- 82	- 74	+ 8
Inheritances and migrants' funds	- 32	-	+ 60	+ 60
Official contributions	- 69	- 92	- 167	- 75
Other current transactions	- 406	- 372	- 363	+ 9
Balance on non-merchandise transactions	- 1,125	- 1,201	- 1,363	- 162

A Rise in Deficit on Services and Other Non-merchandise Transactions

With an increase of \$162 million in 1966, Canada's deficit on non-merchandise transactions exceeded the level of \$1.3 billion for the first time to reach a total of \$1,363 million. The rise in the net payments of interest and dividends accounted for about three-fourths of the deterioration and the rise in official contributions for more than 45 per cent. The improvement in the balance of migrants' funds and inheritances provided a 37 per cent offset. The remaining non-merchandise items contributed to a smaller degree individually to the overall change in the "invisible" deficit.

Following the improvement of \$18 million in the international travel deficit to \$32 million in 1965, the deficit widened by \$28 million to \$60 million in 1966. The fluctuations in the travel balance originated for the most part from transactions with the United States. Over the 3 recent years, the deficit with overseas countries stood at about \$160 million, while the surplus with the United States rose from \$109 million in 1964 to \$129 million in 1965, followed by a decline to \$99 million in 1966. The deterioration in 1966 resulted from a \$100 million increase to \$631 million in expenditures in the United States by Canadian travellers, offset by a rise of \$70 million in receipts to \$730 million from United States visitors. In the 3-year period these receipts gained \$140 million from \$590 million to \$730 million, while the Canadian expenditures rose \$150 million from \$481 million to \$631 million. In travel transactions with overseas countries, a much smaller increase of \$38 million occurred both in receipts and in payments.

Travel Expenditures

	1964	1965	1966	Change in 1966
millions of dollars				
United States:				
Receipts ...	590	660	730	+ 70
Payments ...	481	531	631	+ 100
Balance	+ 109	+ 129	+ 99	- 30
Overseas:				
Receipts ...	72	87	110	+ 23
Payments ...	231	248	269	+ 21
Balance	- 159	- 161	- 159	+ 2
All countries:				
Receipts ...	662	747	840	+ 93
Payments ...	712	779	900	+ 121
Balance	- 50	- 32	- 60	- 28

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1964	1,010	335	675
1965	1,071	372	699
1966	1,178	427	751
1964 IV Q ...	333	97	236
1965 I Q	240	77	163
II Q	252	108	144
III Q	230	78	152
IV Q	349	109	240
1966 I Q	260	93	167
II Q	264	120	144
III Q	239	92	147
IV Q	415	122	293

In extension of the established course, net payments of interest and dividends increased \$123 million or 16 per cent from \$761 million in 1965 to \$884 million. Income receipts declined successively from \$332 million in 1964 to \$310 million and \$294 million in 1965 and 1966 respectively. Interest receipts rose from \$94 million to \$110 million in 1966, largely as a consequence of the resumption of interest payments on the 1946 loan by the United Kingdom authorities following a moratorium of two years. Dividend receipts decreased from \$216 million in 1965 to \$184 million, owing to smaller returns in 1966 on direct investment abroad of a number of Canadian companies. A partially offsetting influence comprised higher dividend receipts on portfolio investment and continuing purchases by Canadian investors of foreign stocks.

The growth of \$107 million in payments of interest and dividends from \$1,071 million to \$1,178 million in 1966 was distributed approximately evenly between the two components. Interest payments rose \$55 million or nearly 15 per cent from \$372 million in 1965 to \$427 million, as a consequence of large sales during 1965 and in the first half year 1966 of new provincial and municipal bonds and in particular of corporation bonds. Retirements of securities of Canadian debtors, both corporate and official, including the special repurchase of Government of Canada bonds, contributed to restraining the rise in total interest payments.

Dividend payments increased \$52 million or about 7 1/2 per cent from just under \$700 million in 1965 to the highest recorded level of \$751 million in 1966. Most of the rise took place in the last quarter of the year owing to payments of substantial dividends by Canadian subsidiaries to foreign parent companies. The annual totals of dividend payments on non-resident owned portfolio investment changed but slightly between 1965 and 1966. Continuing repurchases of Canadian stocks held abroad and higher dividend rates were offsetting influences.

The deficit on freight and shipping services narrowed from \$82 million in 1965 to \$74 million in 1966, as the receipts advanced from \$673 million to \$699 million, while the payments rose from \$755 million to \$773 million. The confluence of several opposing influences contributed to the changes. These included the shutdown in the Ontario trucking industry, stoppage of work by dock workers in the S. Lawrence ports in the first half of 1966 and on the west coast later in the year, the extended strike of the British seamen and of some United States airline employees in the mid-year and the brief work stoppage by Canadian railway workers in the third quarter.

The value of gold production available for export continued to decline - by \$13 million to \$125 million in 1966.

Wheat shipments to India under the international food aid program was the largest single factor in raising Canada's official contributions to the highest recorded level of \$167 million in 1966. This was larger than the combined total of contributions for the two preceding years. The traditional capital assistance and technical aid under the Colombo Plan, increasing aid to other emerging nations in the Commonwealth and to the French-speaking republics in Africa, and cash contributions under the multi-lateral aid programs were other important components in the official contributions total.

Migrants' funds and inheritances recorded a substantial surplus of \$60 million in 1966, compared with a balanced position in the preceding year. The increase in immigration in the recent period which began from 1962 continued at an accelerated rate in 1966, when nearly 195,000 persons arrived in Canada. This was the largest total in the post-war period, except 1957. On the other hand, the number of emigrants from Canada to the United States was curtailed, in particular in the earlier part of the year, following introduction of new visa regulations at the year-end 1965. The Vietnam war also affected the migration to the United States of younger adults.

Miscellaneous Current Transactions

	Receipts		Payments	
	1965	1966	1965	1966
	millions of dollars			
Government transactions, excluding official contributions	176	260	182	218
Personal and institutional remittances	42	39	103	104
Miscellaneous income	131	153	218	247
Business services	291	286	509	532
Totals	640	738	1,012	1,101
Balance .....	...	...	- 372	- 363

The deficit on all other current transactions narrowed by \$9 million to \$363 million in 1966, as the receipts gained about 15 per cent from \$640 million to \$738 million and the payments increased by 8 1/2 per cent from \$1,012 million to \$1,101 million. A large part of the increase in the receipts was represented by disbursements by foreign governments for erection of national pavilions and installation of furnishings and exhibits at the Expo 67 site. The import content of these expenditures represented by the arrival of structural members, furniture, etc., has been included in recorded imports. A gain of 16 per cent in the receipts of miscellaneous investment income arose from increased receipts of interest on export credits and of profits of financial institutions. The receipts of personal and institutional remittances and business service receipts were slightly lower in 1966. The payments for production rights of military aircraft, tourist advertising abroad including Expo 67 and general representational and defence costs abroad contributed to higher expenditures in 1966 on government account, excluding official contributions. The interest paid on short-term debt and intercorporate loans were higher in 1966 as were the expenditures abroad of Canadian airlines and payments for film rentals and for other types of business services.

Quarterly Developments in Current Transactions (Seasonally adjusted)

Canada's balance on transactions in current goods and services was estimated at a deficit of \$364 million in the fourth quarter of 1966, compared with a surplus of \$116 million in the preceding quarter and a deficit of \$364 million also in the final quarter of 1965. After adjustment however for normal seasonal variation, the deficit in the fourth quarter of 1966 was estimated at a quarterly rate of \$291 million, following increases exceeding 10 per cent in each of the three preceding periods. In comparison with the 1966 deficit of \$983 million, the fourth quarter deficit, seasonally adjusted at an annual rate, was about 18 1/2 per cent larger. The seasonally adjusted export balances stood higher by about a half in the first and third quarters over the surpluses for the second and fourth quarters. These balances resulted from rising quarterly increases in the imports, combined with the occurrence in the third quarter of the year's largest gain in exports followed by a smaller increase in the last quarter.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

		Goods			Services			Total receipts	Total pay-ments	Current account balance
		Exports	Imports	Balance	Receipts(1)	Pay-ments(2)	Balance			
millions of dollars										
1965	I Q ...	2,071	2,026	+ 45	666	936	- 270	2,737	2,962	- 225
	II Q ...	2,138	2,077	+ 61	680	981	- 301	2,818	3,058	- 240
	III Q ...	2,203	2,163	+ 40	705	1,002	- 297	2,908	3,165	- 257
	IV Q ...	2,333	2,361	- 28	668	1,001	- 333	3,001	3,362	- 361
	Year	8,745	8,627	+ 118	2,719	3,920	- 1,201	11,464	12,547	- 1,083
1966	I Q ...	2,492	2,383	+ 109	716	1,029	- 313	3,208	3,412	- 204
	II Q ...	2,499	2,421	+ 78	732	1,041	- 309	3,231	3,462	- 231
	III Q ...	2,617	2,498	+ 119	750	1,126	- 376	3,367	3,624	- 257
	IV Q ...	2,662	2,588	+ 74	754	1,119	- 365	3,416	3,707	- 291
	Year	10,270	9,890	+ 380	2,952	4,315	- 1,363	13,222	14,205	- 983

(1) Including immigrants' funds and inheritances, by quarters in 1965: 52, 53, 53 and 53.

(2) Including emigrants' funds and inheritances: 52, 51, 55 and 53.

From a high level in the fourth quarter of 1965 of \$333 million, seasonally adjusted at quarterly rates, net payments on non-merchandise transactions narrowed until the third quarter of 1966 when the deficit expanded to \$376 million, due to enlarged official contributions and a higher deficit of \$226 million on interest and dividends. The rise of net payments of interest and dividends to \$250 million kept the non-merchandise deficit at a slightly lower level of \$365 million in the final quarter of the year, when favourable changes were recorded in the balances of some other items.

Transactions by Areas

Following expansions of \$473 million and \$277 million in 1964 and 1965, respectively, in Canada's deficit on current transactions with the United States, the increase of \$70 million in 1966 was much more moderate. The rise in the current account deficit to \$1,982 million resulted from a gain in total receipts of \$1,338 million from \$6,806 million to \$8,144 million, which was exceeded by an increase of \$1,408 million in total current payments from \$8,718 million in 1965 to \$10,126 million in 1966.

Non-merchandise Transactions in 1966

(Seasonally adjusted at quarterly rates)

	I Q	II Q	III Q	IV Q	Year
millions of dollars					
<u>Receipts</u>					
Gold production available for export	35	28	30	32	125
Travel expenditures	205	216	213	206	840
Interest and dividends	80	77	62	75	294
Freight and shipping	176	171	179	173	699
Inheritances and migrants' funds	54	64	69	69	256
All other transactions	166	176	197	199	738
Totals	716	732	750	754	2,952
<u>Payments</u>					
Gold production available for export	-	-	-	-	-
Travel expenditures	224	224	233	219	900
Interest and dividends	280	285	288	325	1,178
Freight and shipping	191	193	196	193	773
Inheritances and migrants' funds	44	48	52	52	196
All other transactions	290	291	357	330	1,268
Totals	1,029	1,041	1,126	1,119	4,315
<u>Balance</u>					
Gold production available for export	+ 35	+ 28	+ 30	+ 32	+ 125
Travel expenditures	- 19	- 8	- 20	- 13	- 60
Interest and dividends	- 200	- 208	- 226	- 250	- 884
Freight and shipping	- 15	- 22	- 17	- 20	- 74
Inheritances and migrants' funds	+ 10	+ 16	+ 17	+ 17	+ 60
All other transactions	- 124	- 115	- 160	- 131	- 530
Totals	- 313	- 309	- 376	- 365	- 1,363

Reversing the increasing trend in the trade deficit since 1962, the import balance with the United States narrowed by \$116 million to \$925 million in 1966. Merchandise exports rose 25 per cent from \$4,993 million to \$6,241 million, while merchandise imports increased over 18 1/2 per cent from \$6,034 million to \$7,166 million. More than 60 per cent and 70 per cent respectively of Canada's total exports and imports were exchanged in 1966 with the United States. These proportions in 1965 were slightly smaller. Accordingly much of the comments already made in the review of merchandise trade are pertinent to Canadian - United States trade. In particular most of the increase in the trade of automotive products arose from the development toward rationalization of motor vehicle production in North America. This movement was based on the Canadian - United States Automotive Agreement signed in January 1965. To satisfy also the demand generated in the United States by growing industrial production, business capital investment, personal income and overseas military requirements, larger shipments of many other commodities were made in 1966. These included fish fillets, wood pulp, aluminum, copper, potassium for fertilizers, machinery, light military transports and armaments. In addition to new cars and automobile parts, Canada imported from the United States increasing amounts of cattle hides, plastics and resins and many types of equipment and machinery, including computers, data processing equipment, heating and cooling equipment, industrial control apparatus and materials handling equipment.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1964	- 541	- 507	- 119	- 468	- 1,635
1965	- 589	- 530	- 170	- 623	- 1,912
1966	- 606	- 584	- 170	- 622	- 1,982
United Kingdom:					
1964	+ 87	+ 149	+ 156	+ 213	+ 605
1965	+ 106	+ 141	+ 134	+ 129	+ 510
1966	+ 106	+ 119	+ 112	+ 119	+ 456
Other countries:					
1964	+ 118	+ 208	+ 171	+ 109	+ 606
1965	+ 88	+ 29	+ 72	+ 130	+ 319
1966	+ 95	+ 135	+ 174	+ 139	+ 543

from \$1,555 million in 1965 to \$1,524 million in 1966, while total payments rose from \$1,045 million to \$1,068 million during the same period. The decline in the merchandise surplus from \$560 million to \$498 million in 1966, which practically coincided with the 1963 export balance, accounted for more than the entire deterioration in the current account surplus. The imposition of the temporary import surcharge and other economic stabilization measures in the United Kingdom contributed to reducing Canada's merchandise exports from \$1,184 million to \$1,133 million. The British seamen's strike and the work stoppages in the Canadian transportation industry affected both sides of merchandise trade. Among non-merchandise transactions the sharp expansion in the surplus on migrants' funds and inheritances, owing to the increased number of immigrants from the United Kingdom, was partly counterbalanced by a widening in the deficit on travel expenditures, interest and dividends.

Canada's receipts for exporting goods and services to other countries rose \$451 million, or about 14 1/2 per cent, from \$3,103 million in 1965 to \$3,554 million in 1966. The increase in total payments was one-half as much - from \$2,784 million to \$3,011 million, or up \$227 million and about 8 per cent. Most of the expansion in the current account surplus originated in merchandise trade, with the export balance growing by a third from \$599 million to \$807 million. Merchandise exports gained nearly 13 per cent from \$2,568 million to \$2,896 million with some three-fourths of the rise originating in exports to the remaining countries outside the sterling area and other OECD countries in Europe. Larger wheat shipments accounted for about \$200 million of the increase to the whole group of other countries. Merchandise imports increased 6 per cent from \$1,969 million to \$2,089 million, with approximately two-thirds of the rise arriving from other OECD countries in Europe. Disbursements by foreign governments in connection with Expo 67 and smaller favourable changes in travel, freight and migrants' funds balances contributed a decline of \$16 million in the non-merchandise deficit to \$264 million. The substantial expansion in official contributions, mostly to India and other Commonwealth countries, represented the principal offset.

Canada's current account deficit with the United States in 1966 (excluding gold production available for export, which is conventionally attributed to the United States account) was \$2,107 million. Capital movements in long-term forms between the two countries produced an inflow of \$1,146 million, while there were net outflows of \$347 million from transactions in short-term forms (apart from changes in official holdings of gold and United States dollars). In sum, these transactions with the United States gave rise to net payments by Canada of \$1,308 million. This figure was some \$286 million lower than the record established in 1965.

With the United Kingdom and other overseas countries the pattern of imbalance was complementary to that with the United States. The net current surplus of \$999 million was offset to the extent of \$175 million by outward capital movements, an outflow in long-term forms of \$197 million and an inflow of \$22 million in short-term forms. These net receipts of \$824 million were well below the extraordinarily high figure of \$1,613 million in 1965 when there were massive shifts of banking funds from overseas to Canada and through Canada to the United States.

The net payments imbalance from these groups of transactions amounting to \$484 million was financed by a net reduction of \$359 million in official holdings of gold, foreign exchange, and IMF balance, and by Canadian gold production of \$125 million.

In the expansion of over 20 per cent in the non-merchandise deficit from \$871 million to \$1,057 million in 1966, all the "invisible" items contributed, with the exception of migrants' funds and inheritances on account of the substantial reduction of Canadian emigrants to the United States. The \$30 million contraction in the travel surplus was referred to before. About seven-eighths of the widening of \$123 million in the deficit on account of interest and dividends arose from increased net payments to the United States. The balances on government account, miscellaneous investment income, business services, freight and shipping were less favourable in 1966, and the value of gold production available for export declined during the year.

Canada's current account surplus with the United Kingdom narrowed for the second successive year to \$456 million in 1966 compared with \$510 million and \$605 million in 1965 and 1964 respectively. Total receipts from transactions in current goods and services declined

Financing of Canada's Bilateral Account with the United States

	1963	1964	1965	1966	1965	1966				
					IV Q	I Q	II Q	III Q	IV Q	
	millions of dollars									
<u>Transactions with the United States:(1)</u>										
Current account balance	- 1,316	- 1,780	- 2,050	- 2,107	- 657	- 640	- 613	- 200	- 654	
Capital movements in long-term forms	+ 843	+ 1,013	+ 964	+ 1,146	+ 290	+ 498	+ 245	+ 280	+ 123	
Capital movements in short-term forms(2)	+ 7	+ 626	- 508	- 347	+ 155	+ 46	- 13	- 335	- 45	
Totals	- 466	- 141	- 1,594	- 1,308	- 212	- 96	- 381	- 255	- 576	
<u>Financing:</u>										
Transactions with rest of world:										
Current account balance ..	+ 620	+ 1,211	+ 829	+ 999	+ 259	+ 201	+ 254	+ 286	+ 258	
Capital movements in long-term forms	- 206	- 193	- 251	- 197	- 55	- 49	- 31	- 83	- 34	
Capital movements in short-term forms(2)	+ 44	- 659	+ 1,035	+ 22	- 24	- 228	+ 12	- 63	+ 301	
Sub-total	+ 458	+ 359	+ 1,613	+ 824	+ 180	- 76	+ 235	+ 140	+ 525	
Gold production available for export	+ 154	+ 145	+ 138	+ 125	+ 34	+ 34	+ 29	+ 30	+ 32	
Increase (-) in official Canadian holdings of gold, foreign exchange, net asset with the IMF, etc.	- 146	- 363	- 157	+ 359	- 2	+ 138	+ 117	+ 85	+ 19	
Totals	+ 466	+ 141	+ 1,594	+ 1,308	+ 212	+ 96	+ 381	+ 255	+ 576	

- 1) Excluding gold production available for export and changes in official monetary assets, shown with financing.
- 2) There is a discontinuity at the end of 1963 in the allocation bilaterally of capital movements in short-term forms, implying accumulated earlier net overstatements of inflows from the United States and corresponding net understatements of inflows from the rest of the world of the order of \$200 million.

Foreign Currency Operations through the Canadian Banking System

Statements accompanying this section summarize the foreign currency assets and liabilities of the head offices and branches in Canada of the Canadian chartered banks, and relate the changes in these to Canada's balance of payments with the United States and with other countries.

On balance the banks and their domestic customers increased their net foreign currency claims on non-residents by \$467 million in 1966, somewhat more than reversing the decline of \$426 million which occurred in 1965. In each of these years net claims on the United States rose by more than \$500 million, but over the period net claims on other countries were replaced by net liabilities to them, producing net credits for Canada of \$946 million and \$50 million in 1965 and 1966 respectively. Deposit liabilities to residents of the United States continued to fall in 1966 but the reduction of \$309 million fell well short of the figure of \$727 million for 1965; while assets in the United States in 1966 were augmented by \$208 million, almost the same amount by which they were drawn down in 1965.

While these highly volatile types of capital movements led to sizable net capital outflows from Canada in three of the four quarters of 1966, the statement reveals in part both the kaleidoscopic changes and the processes of interaction which lie characteristically behind the net capital movements from these types of transactions.

In the latter part of 1966, for example, there was a sharp contraction of swapped deposits with the Canadian chartered banks. These deposits, which had been rising for some quarters, reflect funds converted into a foreign currency, usually United States dollars, which have been placed on term deposits with a bank and which the bank has undertaken through a forward contract to convert back into Canadian dollars at maturity. The effective yield on them is a function of the premium or discount on the forward exchange and of the interest rate on the term deposit. The forward exchange rate between Canadian and United States dollars swung from a premium on forward United States dollars to a discount in the last half of 1966. Swapped deposits of residents fell by \$167 million in the final quarter of the year, but other foreign currency deposits of residents with the Canadian chartered banks rose by \$117 million. By the end of 1966 swapped deposits were exceeded by other foreign currency deposits of residents with the Canadian chartered banks which were at near record levels.

Although the deposits of residents, taken as a whole, fell \$50 million during the fourth quarter the net foreign currency assets of head offices and branches in Canada of the banks rose by \$158 million and after taking into account an increase in claims by the banks on residents there was a net capital outflow from Canada from these operations of \$84 million in the quarter bringing the total outflow for the year as a whole, as already noted, to \$467 million.

Bilateral Summary of Net Capital Movement arising from the foreign currency operations
of the Canadian Chartered Banks in Canada and from all other transactions

	1964	1965	1966	1966			
				I Q	II Q	III Q	IV Q
	millions of dollars						
<u>With the United States</u>							
Capital movement arising from:							
Foreign currency operations of the Canadian banking system	+ 288	- 520	- 517	+ 27	- 2	- 243	- 299
All other transactions(1)	+ 1,351	+ 976	+ 1,316	+ 517	+ 234	+ 188	+ 377
Totals	+ 1,639	+ 456	+ 799	+ 544	+ 232	- 55	+ 78
<u>With other countries</u>							
Capital movement arising from:							
Foreign currency operations of the Canadian banking system	- 591	+ 946	+ 50	- 151	+ 14	- 28	+ 215
All other transactions	- 261	- 162	- 225	- 126	- 33	- 118	+ 52
Totals	- 852	+ 784	- 175	- 277	- 19	- 146	+ 267

(1) Excluding changes in official holdings of foreign exchange.

Foreign Currency Assets and Liabilities of Head Offices and Branches in Canada
of the Canadian Chartered Banks 1964-1966

	Net Transactions							Amount end of 1966
	1964	1965	1966	I Q 66	II Q 66	III Q 66	IV Q 66	
	millions of dollars							
Assets with residents of:								
United States	40	- 207	208	- 183	- 69	165	295	2,123
Other countries	691	- 441	- 2	- 54	- 42	- 42	136	1,094
Total non-resident	731	- 648	206	- 237	- 111	123	431	3,217
Canada	198	276	84	66	5	- 11	24	1,014
Totals	929	- 372	290	- 171	- 106	112	455	4,231
Liabilities with residents of:								
United States	328	- 727	- 309	- 156	- 71	- 78	- 4	767
Other countries	100	505	48	- 205	- 28	- 70	351	1,573
Total non-resident	428	- 222	- 261	- 361	- 99	- 148	347	2,340
Canada - swapped deposits(1)	313	- 170	187	187	31	136	- 167	742
- other	219	63	214	- 7	32	72	117	890
Total Canada	532	- 107	401	180	63	208	- 50	1,632
Totals	960	- 329	140	- 181	- 36	60	297	3,972
Net Assets with residents of:								
United States	- 288	520	517	- 27	2	243	299	1,356
Other countries	591	- 946	- 50	151	- 14	28	- 215	- 479
Total non-resident	303	- 426	467	124	- 12	271	84	877
Canada	- 334	383	- 317	- 114	- 58	- 219	74	- 618
Totals	- 31	- 43	150	10	- 70	52	158	259

1) Funds converted into a foreign currency, usually United States dollars, which have been placed on term deposit with a bank and which the bank has undertaken through a forward contract to convert back into Canadian dollars at maturity.

Note: This statement shows the effect on Canada's balance of payments of foreign currency banking operations of the Canadian Chartered Banks. As described on page 14 of the report for the second quarter of 1965, the amounts identified as (a) are embodied within item D 17.1 (e. g. this item in 1966 includes outflows of \$551 million, reflecting increases of \$401 million in residents' holdings of foreign currency deposits with Canadian chartered banks in Canada and of \$150 million in the net foreign currency holdings of these institutions); the amount identified as (b) is embodied within items D 13 and D 17.5 (e.g. in 1966 as an aggregate inflow of \$84 million). The transactions figures are based on data published monthly in the Statistical Summary of the Bank of Canada, but have been adjusted so as to eliminate changes in value resulting from variations in exchange rates.

The delicate interaction of spot and forward exchange rates with interest differentials in the international short-term money markets, and the roles in the process of the banks themselves and of their customers are complex. It would be overly simple to relate the decline in swapped deposits in the final quarter of 1966 directly to the increase of roughly equal magnitude in this period in net foreign currency assets of the banks. Nevertheless it may be noted that the overall exchange positions (spot and forward) of the banks have generally tended towards stability; the increases in these overall

positions which occurred in the final quarter and in the year as a whole were much smaller than the increases in their net (spot) foreign assets, which were partly offset in their overall position by the decrease which occurred in their net long forward position.

Interest rates on Eurodollar deposits reached levels well in excess of 7 per cent in the fourth quarter but fell precipitately in the final month; short-term interest rates in the United States and United Kingdom, also, were at historically high levels. Deposits from overseas countries which had declined on balance in each of the first three quarters, rose sharply in the fourth quarter, and although there was a sizable increase also in claims on overseas countries, the net position with them declined; by the year-end foreign currency banking liabilities to overseas countries exceeded claims on them by \$479 million. There was on the other hand a sharp increase in the net position with residents of the United States. Thus on balance banking funds obtained in Canada and overseas were channelled to the United States in an amount of nearly \$300 million in the quarter and of over \$500 million in the year as a whole.

Capital Movements

Summary	1964	1965	1966	1965	1966				
				IV Q	I Q	II Q	III Q	IV Q	
millions of dollars									
Capital movements in long-term forms	+ 820	+ 713	+ 949	+ 235	+ 449	+ 214	+ 197	+ 89	
Capital movements in short-term forms ...	- 33	+ 527	- 325	+ 131	- 182	- 1	- 398	+ 256	
Balance on goods and services	- 424	- 1,083	- 983	- 364	- 405	- 330	+ 116	- 364	
Change in official holdings of gold, foreign exchange, and net balance with the International Monetary Fund	+ 363	+ 157	- 359	+ 2	- 138	- 117	- 85	- 19	

The net capital inflow into Canada in long-term forms in 1966 fell only a few percentage points short of the deficit from current account transactions, and the outflow which arose from capital transactions in short-term forms was nearly equal to the decline in Canada's official holdings of gold, foreign exchange, and IMF assets.

The balance of capital imported in long-term forms amounted to \$949 million in 1966, up some \$236 million over 1965 and at its highest level since 1959. While transactions in Canadian securities represented the largest group of inflows, the biggest change was in the category of direct investment transactions which brought in \$670 million, some \$390 million more than in 1965, including some non-recurring transactions. The inflow from transactions in Canadian securities brought in \$714 million, or \$89 million more than in 1965. Special repatriation by the Government of Canada of its own securities (par value about \$140 million expressed in United States funds) in accordance with the understanding between Canada and the United States as to an appropriate level of Canadian exchange reserves held these figures down; but on the other hand it will be recalled that deliveries of some new issues sold in the United States in the later months of 1965 were deferred as a result of government intervention until 1966, and deliveries over 1966 as a whole exceeded offerings by some \$203 million. A dramatic factor in the other direction was the acquisition by residents of Canada of foreign securities which surged upward by \$273 million to a total of \$357 million in 1966, from the previous record outflow in 1965. Included were purchases from United States residents by the authorities in accordance with the exchange reserve arrangements of some \$25 million of outstanding United States dollar issues of the International Bank for Reconstruction and Development. United States equities accounted for \$234 million of the 1966 outflow, and there was a variety of other transactions in foreign securities ranging from the normal to the unusual. Other capital movements in long-term forms led to an outflow of \$78 million, some \$30 million lower than in 1965. Enlarged repayments under the export credit programs contributed to this result although repayments by Canadians of loans associated with these types of transactions were a partial offset.

Capital Movements in Long-Term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
	millions of dollars	
1963	+ 637	+ 426
1964	+ 820	+ 749
1965	+ 713	+ 980
1966	+ 949	+ 746
1964 I Q ..	+ 3	- 33
II Q ..	+ 133	+ 88
III Q ..	+ 212	+ 401
IV Q ..	+ 472	+ 293
1965 I Q ..	+ 128	+ 209
II Q ..	+ 134	+ 105
III Q ..	+ 216	+ 331
IV Q ..	+ 235	+ 335
1966 I Q ..	+ 449	+ 287
II Q ..	+ 214	+ 252
III Q ..	+ 197	+ 123
IV Q ..	+ 89	+ 84

The balance of capital movements in short-term forms shifted \$852 million from an inflow of \$527 million in 1965 to an outflow of \$325 million in 1966. The largest part of this change, some \$725 million, reflected the acquisition in 1966 of some \$587 million of foreign currency bank deposits and other short-term funds abroad in contrast to the reduction in holdings of \$138 million which occurred in 1965. The substantial liquidation of foreign holdings of Canadian finance company paper which was a factor in 1965 did not, of course, recur, but other net inflows in short-term forms were also on a smaller scale.

Direct Investment

Inflows for direct investment in foreign-controlled enterprises surged to near record heights in 1966, with most of the increase over 1965 occurring in inflows from the United States. While there were a number of transactions associated with the acquisition or disposition of existing assets, they tended on balance to be offsetting, and most of the estimated inflow of \$660 million appears to have been directed to new capital formation and normal working capital requirements. With enlarged capital investment programs it becomes necessary for enterprises to look to external sources for a larger proportion of their financing. There were on balance other important capital inflows to foreign-controlled enterprises in Canada taking such forms as the sale of new issues to non-residents.

Manufacturing and petroleum again vied for top place as the destination of net direct investment inflows in 1966, but inflows to mining constituted significant parts of both the growth and the totals. Transportation equipment, pulp and paper mills and electrical equipment were among the manufacturing industries receiving large shares of the inflow. New petroleum and mining developments were important recipients, but there also continued to be significant inflows for exploration and the development and extension of established activities.

Preliminary annual estimates of the flow of capital from Canada for direct investment abroad reveal an interruption of the period of net outflows which has been unbroken since 1950. The change from an outflow of \$125 million in 1965 to an inflow of \$10 million in 1966 largely reflected a special transaction involving the sale of its foreign subsidiary by a Canadian corporation in the petroleum industry. Canadian manufacturing activities in overseas countries were the largest recipients of capital, but a diverse group of other industries also participated.

Security Transactions

Steps taken by the Government of the United States to improve its balance of payments position continued to have a significant influence on Canada's international security transactions in 1966. Other important factors were the emergence of historically high interest rates both in Canada and the United States and the use by the Government of Canada, in accordance with arrangements regarding its exchange reserves made with the United States, of its authorization under the Financial Administration Act to buy from United States residents its own outstanding obligations and those of the International Bank for Reconstruction and Development. In addition the Canada and Quebec Pension Plans both came into operation in January of 1966 providing the provinces with a source of long-term funds independent of the capital markets.

The inflow from transactions in portfolio securities between Canada and other countries declined in 1966 to yield an annual figure of \$357 million, the lowest since 1962. The United States again was the sole net source of portfolio security capital while trade with the United Kingdom and other foreign countries gave rise to net outflows of \$20 million and \$81 million respectively. The sales balance with the United States amounted to \$458 million, down by one-quarter from the previous years' \$613 million.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1966			
	1965	1966	I Q	II Q	III Q	IV Q
millions of dollars						
Canadian securities:						
Outstanding - Bonds	+ 62	- 99	- 11	- 24	- 50	- 14
Stocks	- 264	- 131	- 13	- 42	- 33	- 43
New issues	+ 1,209	+ 1,448	+ 583	+ 358	+ 291	+ 216
Retirements	- 382	- 504(1)	- 112(1)	- 152(1)	- 90(1)	- 150
Foreign securities:						
Outstanding issues	- 53	- 290(2)	- 46	- 89	- 77(2)	- 78
New issues	- 56	- 83	- 27	- 7	- 40	- 9
Retirements	+ 25	+ 16	+ 3	+ 6	+ 3	+ 4
Totals, all countries ...	+ 541	+ 357	+ 377	+ 50	+ 4	- 74
United States	+ 613	+ 458	+ 395	+ 64	+ 32	- 33
United Kingdom	- 61	- 20	+ 2	- 8	+ 1	- 15
Other countries	- 11	- 81	- 20	- 6	- 29	- 26

- (1) Includes purchases by the Government of Canada from United States residents of its own outstanding issues valued at par in United States funds at about \$40 million (first quarter), \$69 million (second quarter) and \$31 million (third quarter). Additional smaller amounts of Government debt payable in United States dollars were acquired from resident holders who had purchased outstanding issues.
- (2) Includes purchases by the Government of Canada from United States residents of some \$25 million of outstanding bonds issued by the International Bank for Reconstruction and Development (third quarter).

It will be seen from the accompanying statement that the \$184 million fall in the overall capital inflow between 1965 and 1966 resulted mainly from a \$273 million increase in the acquisitions of foreign securities augmented by a \$161 million swing from trading in outstanding Canadian bonds and an increase of \$122 million for the retirement of Canadian securities. Changes having a reverse effect were the increase of \$239 million from new Canadian issues sold abroad and the decrease of \$133 million for the repatriation of foreign-held Canadian equities.

The proceeds from sales to non-residents of Canadian new issues during 1966 rose to \$1,448 million, nearly 20 per cent over the corresponding figure for 1965. The issues of provincial and municipal governments accounted in large measure for this rise with a 63 per cent increase over the rather low 1965 figure, to a record \$627 million. Corporation bonds, while off a little from the previous year's record, at \$710 million contributed nearly one-half of the total proceeds of all new issues. Pulp and paper enterprises were the most important international borrowers during the year followed by the communications, petroleum and sales finance industries. Sales of new issues of Canadian common and preference stocks at \$52 million in 1966 were unusually large with the significant feature being a rights issue by a manufacturing enterprise in the first quarter.

Total offerings of \$1,142 million to residents of the United States were the second highest on record, somewhat below the \$1,416 offered in 1965. It should be noted, however, that a proportion of the new Canadian issues placed with United States underwriters is frequently resold to residents of other foreign countries. Offerings in 1966 during the first two quarters kept pace with the high levels set in 1965, however, they fell off sharply during the third and fourth quarters. The first quarter produced an extraordinarily large bump in deliveries made up largely of undelivered offerings from the last quarter of 1965. This is in part a reflection of the joint request made in November 1965 by the Canadian and United States Governments to defer until January 1966 the delivery of new Canadian issues placed on the New York capital market. Proceeds from new bond issues sold in the United States rose to \$1,345 million in 1966 from \$1,149 million in 1965.

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Un- delivered(1)
millions of dollars			
1964	957	1,028	51
1965	1,416	1,149	318
1966	1,142	1,345	115
1965 I Q ...	344	263	132
II Q ...	282	311	103
III Q ...	399	284	218
IV Q ...	391	291	318
1966 I Q ...	356	518	156
II Q ...	386	348	194
III Q ...	202	276	120
IV Q ...	198	203	115

(1) At end of period.

A minor amount of the total represents purchases for Canadian accounts of "offshore" Euro-dollar bond issues floated by United States companies. These practically all occurred prior to the request by the Minister of Finance in March that residents abstain from such transactions.

The capital outflow due to Canada's trade in outstanding portfolio securities moved to a record \$520 million in 1966. This was slightly more than double the 1965 figure of \$255 million, the previous high and was chiefly attributable to a sharp increase in the net purchases of foreign securities to a peak of \$290 million. Acquisitions of United States equities continued to dominate this purchase balance augmented in 1966 by purchases by the Government of Canada from United States residents of some \$25 million of outstanding bonds issued by an international institution. The flows associated with transactions in Canadian bonds and debentures changed direction resulting in a \$99 million capital outflow in 1966 in contrast to a \$62 million inflow in 1965. Of the \$99 million purchase balance, 75 per cent occurred in the second and third quarters of the year. There were net outflows associated with all classes of bonds with Government of Canada direct and guaranteed issues accounting for over three-quarters of the total. The net repatriation of Canadian equities in 1966 at \$131 million was almost exactly half the 1965 total of \$264 million.

After accounting for retirements, non-residents purchased a net \$714 million of new and outstanding Canadian issues or the equivalent of 20 per cent of the net new supply compared with 24 per cent in 1965. In 1966 net new issues of direct and guaranteed bonds of the Government of Canada totalled some \$410 million in contrast to net retirements of \$62 million in 1965. However, non-resident holdings of these issues were reduced by \$264 million in contrast to no net capital movement in 1965. Net acquisitions by non-residents of other Canadian securities in 1966 were equivalent to 31 per cent of the net new supply compared with 24 per cent in 1965.

A more detailed review of international security movements in 1966 will be found in the December issue of "Sales and Purchases of Securities Between Canada and Other Countries" (DBS Catalogue No. 67-002) which also contains information relating to Canada's international short-term money market transactions.

Other Capital Flows in Long-term Forms

Canadian Government non-military assistance abroad in 1966 took the form largely of payments of the regular assessments by international organizations of which Canada is a member, official contributions, intergovernmental loans, subscriptions to the capital of international investment agencies and the extension or guarantee of export credits. Assessments and contributions both form a part of Canada's payments on current account, while other transactions, to the extent to which they give rise to claims on non-residents, are mainly reflected as an outflow of capital in long-term forms.

Retirements of Canadian securities rose substantially over the previous year to a record \$504 million. Retirements of direct issues of the Government of Canada increased substantially to \$214 million and included an amount of about \$140 million (par value expressed in United States funds) repurchased by the Government of Canada in special transactions associated with adjustments of Canada's exchange reserve position. Significant rises were also recorded for provincial and municipal bonds while retirements of corporation bonds subsided to a more normal level after the unusually high 1965 outflow which had been influenced by the financial reorganization of a finance company in that year.

New foreign securities purchased by Canadians gave rise to an outflow of \$83 million, up one-half over the 1965 amount. Purchases of new United States securities more than doubled to \$59 million. Included in this latter total are amounts associated with the expansion of a foreign-controlled enterprise in Canada which has led to capital inflows into Canada which are recorded elsewhere in the balance of payments.

Intergovernmental loans extended by Canada during 1966 rose to \$11 million as amounts previously committed for specific projects under the development loan program were drawn by the recipient countries. Disbursements are expected to grow in succeeding years as drawings so far constitute only a fraction of the aid made available. There were only negligible amounts of other intergovernmental loans.

Subscriptions to the capital of international agencies totalled \$9 million in 1966 made up of three pieces; \$1.8 million to the International Development Association, \$4.5 million to the International Development Bank following the increase in Canada's quota and \$2.7 million as an initial instalment of the Canadian quota in the newly-established Asian Development Bank. The subscriptions to the two latter organizations were paid partly in United States funds and partly in non-negotiable, non-interest bearing demand notes. The latter create an increase in the Canadian dollar liabilities of the Government of Canada which is reflected in item D 14.2 of the capital account.

During the year Canada received repayments aggregating \$24 million on intergovernmental loans extended earlier, more than twice the previous year's \$10 million. The increase was due to a \$19 million repayment of principal by the United Kingdom in December on the 1946 loan. In 1964 and 1965 no repayments were received as the British availed themselves of the waiver provisions applicable to the loan. As in 1965 most of the other repayments in 1966 were from India and Belgium as the amounts which would otherwise have fallen due in 1966 from France and the Netherlands were prepaid in 1962. In addition to the repayments of principal there were receipts of \$26 million on account of interest in 1966 which form a part of the item in the current account covering Canada's receipts of interest and dividends.

A further annual maturity of U.S. \$30 million of the medium-term non-marketable United States Government securities acquired by the Canadian Government in connection with the Columbia River Treaty arrangements occurred in November and resulted in an inflow of \$32 million expressed in Canadian funds. Holdings of these securities stood at U.S. \$143.9 million at the end of 1966.

Detail of Long-Term Capital Transactions n.i.e.

Item D13

Year and quarter	Export credits(1)			Finance com- panies(2)	Other	Total
	Advances	Repay- ments	Net			
millions of dollars						
1963	- 107	+ 35	- 72	+ 11	+ 75	+ 14
1964	- 321	+ 157	- 164	- 6	+ 116	- 54
1965	- 252	+ 65	- 187	- 3	+ 54	- 136
1966	- 256	+ 213	- 43	- 9	- 62	- 114
1964 I Q	- 38	+ 7	- 31	+ 4	- 10	- 37
II Q	- 75	+ 23	- 52	+ 6	+ 25	- 21
III Q	- 123	+ 77	- 46	- 14	+ 85	+ 25
IV Q	- 85	+ 50	- 35	- 2	+ 16	- 21
1965 I Q	- 59	+ 17	- 42	- 1	+ 50	+ 7
II Q	- 74	+ 13	- 61	- 6	+ 5	- 62
III Q	- 76	+ 22	- 54	+ 4	- 2	- 52
IV Q	- 43	+ 13	- 30	-	+ 1	- 29
1966 I Q	- 45	+ 22	- 23	-	- 6	- 29
II Q	- 55	+ 72	+ 17	- 4	+ 2	+ 15
III Q	- 84	+ 48	- 36	- 3	+ 5	- 34
IV Q	- 72	+ 71	- 1	- 2	- 63	- 66

(1) Export credits from Canada directly or indirectly at risk of the Government of Canada.

(2) Finance company borrowing not included in items D1, 3, 4, 5, 17.3 or 17.4.

The remaining capital movements in long-term forms in 1966 led to a net outflow of \$114 million compared with outflows of \$136 million and \$54 million in 1965 and 1964, respectively. As can be seen from the accompanying statement the large net outflows experienced in previous years arising from loans and advances under Government programs (excluding the development loan program) relating to the financing of Canadian exports fell sharply in 1966 to \$43 million. This resulted from a threefold increase in repayments over the previous year. Transactions relating to wheat sales to Sino-Soviet countries were of prime importance with new credit extensions continuing at a very high level of \$191 million while repayments jumped \$130 million above the 1965 total to \$152 million. Non-resident holdings of special types of long-term finance company debt not included with direct investment or the security data decreased by \$9 million in 1966 while all other types of long-term capital transactions which include bank and other long-term loans, mortgage investments and movements of insurance funds resulted in an outflow of \$62 million. The largest part of this outflow reflected repayment of bank loans associated with the financing of export credits.

Capital Movements in Short-term Forms

Capital movements in short-term forms (apart from changes in official holdings of gold, foreign exchange and Canada's balance with the International Monetary Fund) led on balance to a net capital outflow of \$325 million, a swing of \$852 million from the \$527 million inflow recorded in 1965.

Canadian dollar deposits of non-residents in all three main geographic areas rose in total by \$11 million over the year with increases of \$17 million and \$4 million in holdings by residents of the United States and United Kingdom respectively, and a decrease of \$10 million in holdings by all other non-residents.

At the year-end, deposit liabilities to non-residents aggregated about \$580 million with residents of the United States, the United Kingdom and other countries holding some \$365 million, \$75 million and \$140 million respectively.

Government of Canada demand liabilities payable to non-residents increased by \$5 million in 1966. The amount outstanding was somewhat more than \$33 million, mainly in the form of interest-free demand notes issued to international investment agencies.

Holdings by non-residents of Canadian treasury bills decreased by \$15 million during 1966, however trading by non-residents in these instruments increased substantially over 1965 - often for the week-end employment of funds. The significant factor in the decrease was the reduction of the holdings of international institutions which by the end of the year were perhaps one-fourth of the level of December 1965.

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1964	1965	1966	1965	1966				
				IV Q	I Q	II Q	III Q	IV Q	
millions of dollars									
1 Bank balances and other short-term funds abroad (excluding official reserves)	- 528	+ 138	- 587	- 99	- 165	- 9	- 299	- 114	
2 Canadian commercial paper, etc.	- 11	+ 10	- 2	-	- 12	- 5	+ 10	+ 5	
3 Canadian finance company paper	+ 196	- 162	- 9	- 65	+ 23	- 5	- 55	+ 28	
4 Canadian finance company obligations, n.i.e.	+ 52	+ 209	+ 153	- 6	+ 34	- 12	+ 44	+ 87	
5 All other transactions(1)	+ 246	+ 287	+ 119	+ 243	- 33	+ 39	- 125	+ 238	
Total (Item D 17)	- 45	+ 482	- 326	+ 73	- 153	+ 8	- 425	+ 244	

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

The largest volume of transactions continued to be in Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises). There was, however, a sharp drop in the net outflow from \$162 million in 1965 to \$9 million in 1966. In contrast to the previous year there were inflows in both the first and fourth quarters of 1966 while the outflows characteristic of 1965 were evident in the middle two quarters of the year. The accompanying statement shows revised data since December 1963 of short-term paper borrowing by Canadian finance companies both from residents of the United States and from all other countries. After reaching a peak in September 1964, United States holdings declined with only a minor aberration up to the end of September 1966, then edged up slightly at the year-end. In contrast, within the last two years, other non-residents have become significant holders of these instruments accounting for over one-quarter of all non-resident holdings at the end of 1966. At December 1966 the \$307 million of non-resident holdings represented almost one-third of the total short-term paper issued by Canadian finance companies.

Holdings by Non-residents of Short-term
Canadian Finance Company Paper

Month end	Residents of the United States	Residents of all other foreign countries	All non- residents
millions of dollars			
1963 - December	280	2	282
1964 - March ...	387	2	389
June	490	1	491
September	493	2	495
December	476	2	478
1965 - March ...	440	4	444
June	418	24	442
September	338	43	381
December	268	48	316
1966 - March ...	293	46	339
June	273	61	334
September	222	57	279
December	226	81	307

Transactions in other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies) led on balance to an inflow of \$153 million, about three-quarters of the 1965 inflow. In addition there were, of course, other finance company transactions not identified separately which have been included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. All in all the international borrowing of these companies in 1966 led to an aggregate net inflow of about \$210 million. Net inflows of \$110 million were recorded in both the first and fourth quarters and a net outflow of about \$10 million occurred in the second quarter.

International transactions in Canadian commercial paper (including bankers' acceptances) led to a net capital inflow of \$11 million in 1966 following an outflow of \$15 million in 1965. The gross volume of transactions in these instruments (especially bankers' acceptances), although not available for publication, appears to have expanded considerably in 1966, usually for very short-term employment of the funds. Non-residents reduced their holdings of other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) by

\$13 million in 1966. The volume of transactions expanded rapidly, almost tripling the 1965 total.

A primary factor influencing these international flows is the extent of short-term interest rate differentials between the major financial centres of the world. Other factors impinging upon instruments negotiated in this money market are term, currency, credit risk etc., as well the character, requirements and relationships of lenders and borrowers. Hence when considering this market, and its capital flows, a wide variety of interest differentials could be appropriate; treasury bill yields are one such measure for which published figures are readily available.

Before provision of forward exchange cover the yield differential on 3-month Canadian and United States treasury bills (on the United States quotation basis) varied from a 57 basis points spread in favour of Canada at June 24th to 63 basis points in favour of the United States at September 23rd. Yield differentials with forward cover were far more substantial ranging from an 86 basis point advantage for the United States bills during the first week of the year to a spread of 57 basis points in favour of the Canadian treasury bills at June 24th. It will, of course, be noted that while protected interest rate differentials provide a major incentive to the movement of arbitrage capital other considerations including the handling costs of such transactions are usually sufficient to offset the more narrow differentials. At times, too, investors may choose to accept the risk of exchange rate fluctuations or may have requirements which do not involve repatriation of matured bills into domestic currency.

While treasury bill yields are indicative of the movements of short-term interest rates, the bulk of non-resident short-term funds are invested in other money market instruments, particularly Canadian finance company paper. Yields on these instruments which are, of course, normally above treasury bill yields had advanced sharply in 1965 following the collapse of a finance company in June of that year and also influenced to some extent by the balance of payments measures taken in the United States. Interest rates paid by the large finance companies for 3 to 6 month paper started 1966 at about 6 per cent. With the availability of credit becoming more difficult throughout most of the year these interest rates rose to 6 1/2 per cent by the year-end.

Long-term interest rates increased in both Canada and the United States in 1966; the rise in Canada being significantly larger over the year as a whole. Differentials on representative long-term government bonds in the two countries varied from a minimum of about 1 per cent in June to about 1 1/3 per cent in December. Common stock prices in Canada (as measured by the D.B.S. Investors Index) dropped about 12 per cent during the year. United States common stock prices (as measured by Standard and Poor's "500" Index) moved down 13 per cent over 1966.

An increase by Canadian residents of their holdings of bank balances and other short-term funds abroad produced a net capital outflow of \$587 million - a swing of almost three-quarters of a billion dollars from the inflow of \$138 million in 1965. Substantial increases were recorded in all quarters except the second, with that in the third being especially large. High interest rates in the Eurodollar market and later in the United States money market, were factors in these movements and together with a discount on forward Canadian dollars in the first half of the year, led to large increases in swapped deposits of residents referred to earlier. Uncovered deposits also rose for a variety of reasons.

All other capital movements, such as changes in short-term loans and accounts receivable and payable, led to a net inflow of \$119 million in 1966, well below the level of recent earlier years. Bank loans and increases in intercompany liabilities were the largest sources of these inflows. There are some grounds for believing that the quarterly pattern of this group of movements may have been influenced by real and documentary floats arising from strikes in producing and transportation industries in Canada and abroad in 1966.

Official Holdings of Gold and Foreign Exchange and Canada's Balance with the IMF

Official holdings of gold and foreign exchange were reduced sharply during 1966, but there was some increase in Canada's balance with the International Monetary Fund, so that Canada's net international monetary assets in these forms fell on balance by \$359 million, in contrast to the increases which occurred for several years previously.

The decrease in official holdings of gold and United States dollars during the year amounted to \$461 million, expressed in Canadian funds, while corresponding holdings of sterling, which are confined to working balances, were little changed. Official holdings of gold and United States dollars expressed in terms of United States funds, amounted to \$2,236 million at the year end, \$429 million lower than at the beginning. Declines occurred in all but the month of November. During each of the months of January, February, June and July the Exchange Fund Account sold \$50 million of gold. These transactions increased modestly the international liquidity situation but did not in themselves affect the total level of Canada's official holdings of gold and foreign exchange.

Canada's so-called "gold tranche position" with the IMF, together with loans made under the General Arrangements to Borrow, amounted to \$448.5 million, expressed in United States funds, at the end of the year, having increased by \$95.1 million during the year. The total represents the net resources made available by Canada to the IMF and may be drawn by Canada virtually automatically on statement of balance of payments need, although Canada would then be under an obligation to restore the figure to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

Accounting for about half this increase was the enlargement of Canada's quota in the IMF, which gave rise to the payment by Canada in the second quarter of \$47.5 million in gold in terms of United States funds and to an increase in Canadian dollar liabilities to the IMF of \$142.5 million, again in terms of United States funds. The Canadian dollar equivalent of the gold payment is reflected as a reduction of Canada's official holdings of gold and foreign exchange in item H1, and as an increase in Canada's balance with the IMF in item H2.

The remainder of the change arose from net drawings of Canadian dollars by other countries, made up of drawings by them aggregating the equivalent of \$459.9 million in United States funds, and repurchases by them of their own currencies with Canadian currency equivalent to \$412.3 million in United States funds. Prominent among the totals were drawings by the United States. As described in

earlier reports, these Canadian dollars are resold by the United States to other countries wishing to make repayments to the IMF. Insofar as Canada is concerned, therefore, they are largely technical having no lasting effect on Canada's balance of payments since the repayments of Canadian dollars to the IMF by other countries offset the drawings of Canadian dollars from it by the United States.

It will be noted that Canada's official holdings of gold and United States dollars, together with Canada's net creditor position in the International Monetary Fund (Canada's balance with the IMF less Canadian quota payments in gold aggregating \$185 million), amounted at the end of the year to \$2,499 million expressed in United States currency. This represented a reduction of some \$381 million from the beginning of the year. It will be recalled that in January, reporting to the House of Commons on balance of payments arrangements between Canada and the United States, the Minister of Finance noted that while Canadian reserves must be expected to fluctuate from month to month, the Canadian Government would consider it appropriate that such fluctuations take place at a figure somewhat lower than the mid-1963 figure, say, approximately \$2,600 million in United States funds. Consistent with these arrangements the Government repurchased in the first half of 1966 about \$109 million of its outstanding United States dollar bonds which were held in the United States. Further purchases of \$31 million arranged in the second quarter were delivered in the third. These special repurchases have been recorded in the balance of payments statistics as retirements of foreign-held Canadian bonds. In the third quarter the Government also availed itself of the authority it had obtained to purchase outstanding securities of the International Bank for Reconstruction and Development held by United States residents. Purchases in the third quarter were of the order of \$25 million and brought the direct operations of this nature during 1966 to a total of about \$165 million; additional smaller amounts of government debt payable in United States dollars were acquired from resident holders who had purchased outstanding issues.

United States Dollar in Canada					Exchange Holdings and IMF Balance		
Period	High	Low	Close	Noon average	End of period	Official holdings of gold and United States dollars	Net balance with International Monetary Fund
Canadian cents					millions of United States dollars		
1964 III Q ..	108.22	107.50	107.50	107.87	1964 III Q	2,625	80
IV Q ..	107.63	107.25	107.38	107.46	IV Q	2,674	197
1965 I Q ..	108.44	107.31	107.97	107.71	1965 I Q	2,554	240
II Q ..	108.38	107.72	108.34	108.04	II Q	2,480	327
III Q ..	108.50	107.53	107.59	107.94	III Q	2,614	403
IV Q ..	107.78	107.38	107.50	107.53	IV Q	2,665	353
1966 I Q ..	107.81	107.34	107.72	107.58	1966 I Q	2,510	379
II Q ..	107.88	107.53	107.53	107.67	II Q	2,342	438
III Q ..	107.78	107.34	107.78	107.54	III Q	2,244	457
IV Q ..	108.41	107.78	108.38	108.15	IV Q	2,236	448
					October ...	2,223	457
					November ..	2,242	452
					December ..	2,236	448

Note: The table of exchange holdings does not include holdings of the Government of Canada at December 31, 1966 of \$144 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold		
								Total liabi- lities	
millions of United States dollars									
1947-61	550.0		550.0	412.5		- 99.6	25.0	337.9	212.1
1962			550.0		300.0	50.3		688.2	- 138.2
1963			550.0		- 79.7			608.5	- 58.5
1964		15.0	565.0	15.0	- 166.0	- 99.0	9.0	367.5	197.5
1965		35.0	600.0	35.0		- 183.4	27.5	246.6	353.4
1966	190.0		790.0	142.5		- 47.6		341.5	448.5
1966 I Q			600.0			- 25.5		221.1	378.9
II Q	190.0		790.0	142.5		- 11.9		351.7	438.3
III Q			790.0			- 18.7		333.0	457.0
IV Q			790.0			8.5		341.5	448.5

(1) This is a cumulative measure of the net resources provided by Canada to the IMF. The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents the so-called "gold tranche position" plus borrowing under the General Arrangements to Borrow (GAB). This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of the Quota.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1965 are preliminary and data for 1966 are subject to revision

No.		1964	1965			
		IV	I	II	III	IV
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,128	1,826	2,191	2,263	2,465
3	Gold production available for export	35	35	34	35	34
4	Travel expenditures	112	63	158	415	111
5	Interest and dividends	151	67	73	70	100
6	Freight and shipping	171	143	172	181	177
7	Inheritances and immigrants' funds	44	42	55	63	51
11	All other current receipts	148	155	156	159	170
12	Total current receipts	2,789	2,331	2,839	3,186	3,108
B	Current payments:					
1	Merchandise imports (adjusted)	1,968	1,865	2,218	2,102	2,442
4	Travel expenditures	137	152	210	271	146
5	Interest and dividends	333	240	252	230	349
6	Freight and shipping	181	155	198	204	198
7	Inheritances and emigrants' funds	56	43	49	61	58
9	Official contributions	19	23	20	31	18
11	All other current payments	241	248	252	251	261
12	Total current payments	2,935	2,726	3,199	3,150	3,472
C	Current account balance:					
1	Merchandise trade	+ 160	- 39	- 27	+ 161	+ 23
2	Other transactions, excluding B 9	- 287	- 333	- 313	- 94	- 369
3	Official contributions	- 19	- 23	- 20	- 31	- 18
4	Total	- 146	- 395	- 360	+ 36	- 364
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 102	+ 70	+ 126	+ 96	+ 113
2	Direct investment abroad	- 11	- 44	-	- 53	- 28
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	+ 22	+ 4	+ 16	+ 37	+ 5
3.2	Trade in outstanding common and preference stocks	- 40	- 91	- 83	- 28	- 62
4	New issues	+ 531	+ 283	+ 321	+ 294	+ 311
5	Retirements	- 95	- 68	- 178	- 56	- 80
6,7,8	Foreign securities	- 10	- 38	- 8	- 23	- 15
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	- 8	-	-	-	- 14
10	Repayments to Canada	+ 2	+ 5	+ 2	+ 1	+ 2
11	Columbia River Treaty, net	-	-	-	-	+ 32
13	Long-term capital transactions n.i.e.	- 21	+ 7	- 62	- 52	- 29
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	+ 53	+ 38	- 37	- 19	+ 49
14.2	Government of Canada demand liabilities	+ 3	- 1	- 4	- 5	+ 12
14.3	Canadian treasury bills	- 18	+ 27	- 10	- 2	- 3
17	Other capital movements	- 183	+ 131	+ 278	-	+ 73
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 472	+ 128	+ 134	+ 216	+ 235
2	Short-term forms (D14 to D17)	- 145	+ 195	+ 227	- 26	+ 131
3	Total	+ 327	+ 323	+ 361	+ 190	+ 366
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	+ 54	- 118	- 92	+ 144	+ 55
2	Change in net International Monetary Fund position	+ 127	+ 46	+ 93	+ 82	- 53
3	Other special international financial assistance	-	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in

B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income,

B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1965 are preliminary and data for 1966 are subject to revision

1966				Annual totals				No.
I	II	III	IV	1963	1964	1965	1966	
millions of dollars								
2,212	2,586	2,682	2,790	7,082	8,238	8,745	10,270	A
34	29	30	32	154	145	138	125	1
74	184	455	127	609	662	747	840	3
67	69	46	112	230	332	310	294	4
154	174	193	178	563	644	673	699	5
44	68	81	63	151	169	211	256	6
166	173	196	203	473	557	640	738	7
2,751	3,283	3,683	3,505	9,262	10,747	11,464	13,222	11
								12
2,213	2,579	2,382	2,716	6,579	7,537	8,627	9,890	B
188	240	314	158	585	712	779	900	1
260	264	239	415	860	1,010	1,071	1,178	4
159	201	213	200	648	679	755	773	5
36	44	60	56	186	201	211	196	6
33	14	87	33	65	69	92	167	7
267	271	272	291	881	963	1,012	1,101	9
3,156	3,613	3,567	3,869	9,804	11,171	12,547	14,205	11
								12
- 1	+ 7	+ 300	+ 74	+ 503	+ 701	+ 118	+ 380	C
- 371	- 323	- 97	- 405	- 980	- 1,056	- 1,109	- 1,196	1
- 33	- 14	- 87	- 33	- 65	- 69	- 92	- 167	2
- 405	- 330	+ 116	- 364	- 542	- 424	- 1,083	- 983	3
								4
+ 120	+ 190	+ 145	+ 205	+ 280	+ 270	+ 405	+ 660	D
- 15	- 40	+ 90	- 25	- 135	- 95	- 125	+ 10	1
- 11	- 24	- 50	- 14	+ 39	+ 77	+ 62	- 99	2
- 13	- 42	- 33	- 43	- 170	- 98	- 264	- 131	3.1
+ 583	+ 358	+ 291	+ 216	+ 984	+ 1,100	+ 1,209	+ 1,448	3.2
- 112	- 152	- 90	- 150	- 404	- 382	- 382	- 504	4
- 70	- 90	- 114	- 83	+ 22	- 52	- 84	- 357	5
								6,7,8
- 6	- 3	- 9	- 2	- 18	- 10	- 14	- 20	9
+ 2	+ 2	+ 1	+ 19	+ 25	+ 10	+ 10	+ 24	10
-	-	-	+ 32	-	+ 54	+ 32	+ 32	11
- 29	+ 15	- 34	- 66	+ 14	- 54	- 136	- 114	13
- 15	- 7	+ 20	+ 13	+ 43	+ 28	+ 31	+ 11	14.1
- 6	- 2	+ 5	+ 8	+ 1	-	+ 2	+ 5	14.2
- 8	-	+ 2	- 9	- 27	- 16	+ 12	- 15	14.3
- 153	+ 8	- 425	+ 244	+ 34	- 45	+ 482	- 326	17
+ 449	+ 214	+ 197	+ 89	+ 637	+ 820	+ 713	+ 949	E
- 182	- 1	- 398	+ 256	+ 51	- 33	+ 527	- 325	1
+ 267	+ 213	- 201	+ 345	+ 688	+ 787	+ 1,240	+ 624	2
								3
- 166	- 181	- 105	- 10	+ 60	+ 86	- 11	- 462	H = C+E
+ 28	+ 64	+ 20	- 9	+ 86	+ 277	+ 168	+ 103	1
-	-	-	-	-	-	-	-	2
								3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1.2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

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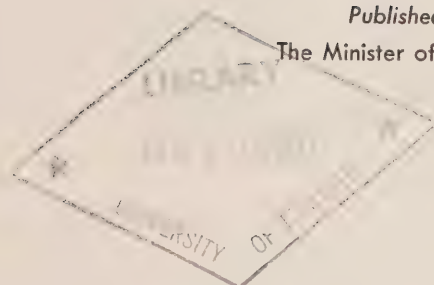
QUARTERLY



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1967

Published by Authority of
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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1967

Canada's deficit on international current account transactions of \$340 million in the first quarter of 1967 was \$65 million or 16 per cent lower than \$405 million for the corresponding quarter of 1966, but was about the same magnitude as the average first quarter deficit for the sixties. Total receipts from the sale of current goods and services to the rest of the world gained \$451 million or 6 per cent from \$2,751 million to \$3,202 million between the first quarters of the two years. Total payments did not rise as much over this period, increasing by \$386 million or 12 per cent from \$3,156 million to \$3,542 million. After allowance for normal seasonal variations, the improvement in the current deficit from the final quarter of 1966 was also notable. Further references to seasonally adjusted estimates are found in a later section of this report.

The net inward movement of foreign capital totalling \$327 million almost fully covered the current account deficit for the first quarter. As in the recent period, except the 4th quarter 1966, the capital inflow in long-term forms predominated in the January - March quarter; and in extension of the course during 1966, Canada's official reserves declined slightly.

Summary Statement

	1964	1965	1966	1966				1967
				I Q	II Q	III Q	IV Q	IQ
	millions of dollars							
Merchandise trade balance	+ 701	+ 118	+ 380	- 1	+ 7	+ 300	+ 74	+ 77
Deficit on non-merchandise transactions	- 1,125	- 1,201	- 1,363	- 404	- 337	- 184	- 438	- 417
Current account balance	- 424	- 1,083	- 983	- 405	- 330	+ 116	- 364	- 340
Capital movements(1)	+ 787	+ 1,240	+ 624	+ 267	+ 213	- 201	+ 345	+ 327
Long-term forms	+ 820	+ 713	+ 949	+ 449	+ 214	+ 197	+ 89	+ 266
Short-term forms	- 33	+ 527	- 325	- 182	- 1	- 398	+ 256	+ 61
Change in official holdings of gold, foreign exchange, and net balance with International Monetary Fund	+ 363	+ 157	- 359	- 138	- 117	- 85	- 19	- 13

(1) Excluding change in official exchange holdings.

Merchandise Trade Surplus Expands

As the deficit on non-merchandise transactions widened slightly from \$404 million to \$417 million between the first quarters of 1966 and 1967, the improvement in the overall current balance originated wholly from merchandise trade. From a deficit of \$1 million, the balance on merchandise trade changed to a surplus of \$77 million in the January - March quarter of 1967. Geographically, about three fourths and one third of the improvement in the current account deficit arose from Canada's transactions respectively with the United States and the United Kingdom. A small decline in the current surplus with other countries resulted from a deterioration in the balances with other countries in the sterling area and in the OECD group in Europe, offset by a sizable increase in the surplus with the remaining countries.

Merchandise exports expanded \$401 million, or 18 per cent, from \$2,212 million to \$2,613 million, the highest total for the first quarter of the year. Merchandise imports increased \$323 million or more than 14 per cent from \$2,213 million in the first quarter of 1966 to \$2,536 million, which was also the highest total for the January - March quarter. Fairly small adjustments to the recorded trade totals for balance of payments purposes, which constituted net deductions from exports but net additions to imports, had the effect of reducing the Trade of Canada surpluses in each of the first quarters of 1966 and 1967.

Summary of Current Transactions with the United States, United Kingdom and Other Countries
First Quarter 1966 and 1967, and Changes Between the Periods

	1966	1967	Change	1966	1967	Change
millions of dollars						
	All Countries			United States		
Merchandise exports (adjusted)	2,212	2,613	+ 401	1,353	1,659	+ 306
Merchandise imports (adjusted)	2,213	2,536	+ 323	1,645	1,894	+ 249
Balance on merchandise trade	- 1	+ 77	+ 78	- 292	- 235	+ 57
Other current receipts	539	589	+ 50	331	350	+ 19
Other current payments	943	1,006	+ 63	645	672	+ 27
Balance on non-merchandise transactions ...	- 404	- 417	- 13	- 314	- 322	- 8
Total receipts	2,751	3,202	+ 451	1,684	2,009	+ 325
Total payments	3,156	3,542	+ 386	2,290	2,566	+ 276
Current account balance	- 405	- 340	+ 65	- 606	- 557	+ 49
	United Kingdom			Other Countries		
Merchandise exports (adjusted)	272	287	+ 15	587	667	+ 80
Merchandise imports (adjusted)	149	153	+ 4	419	489	+ 70
Balance on merchandise trade	+ 123	+ 134	+ 11	+ 168	+ 178	+ 10
Other current receipts	78	85	+ 7	130	154	+ 24
Other current payments	95	91	- 4	203	243	+ 40
Balance on non-merchandise transactions ...	- 17	- 6	+ 11	- 73	- 89	- 16
Total receipts	350	372	+ 22	717	821	+ 104
Total payments	244	244	-	622	732	+ 110
Current account balance	+ 106	+ 128	+ 22	+ 95	+ 89	- 6

Some relevant information on the basic trade statistics which became available recently has not yet been used to revise the balance of payments estimates for 1966. In conformity with the usual practice, revisions to 1966 estimates will be carried out and published in the report for the second quarter of 1967. Revisions in the amount of nearly \$60 million, consisting to a large extent of automotive products exported to Latin American markets in 1966 have come to light, as also has a developing lag during the year in the receipt by DBS of import documents from an important port. The full impact upon 1966 of the retardation on the imports total is not now known but is believed to be substantial. Notwithstanding the offsetting nature of these factors, their net effect would likely be to significantly reduce the merchandise trade surplus for 1966.

On the basis of incomplete commodity details for the first quarter of 1967, it is estimated that motor vehicles and automotive equipment accounted for well over 40 per cent of the \$401 million gain in merchandise exports. Other commodities contributing to the expansion included fish products, vegetables, non-ferrous metals (notably copper), crude petroleum, lumber, wood pulp, newsprint, agricultural machinery, communication equipment, aircraft parts and fertilizers. Exports of some commodities, such as meat, flour, and iron ores were lower in the first quarter of 1967. It is expected that when detailed information becomes available, automotive products would represent more than 40 per cent of the \$323 million increase in merchandise imports between the first quarters of 1966 and 1967. It would appear too that the deficit in the trade in automotive products has narrowed between the two periods. Gains which occurred during 1966 in the imports of textiles and other materials, machinery, equipment, aircraft, and many consumer goods, continued in the January - March quarter of 1967.

Deficit on Services and Other Non-merchandise Transactions

With an advance of \$50 million to \$589 million in the first quarter of 1967 in Canada's receipts on non-merchandise transactions, outweighed by an increase of \$63 million to \$1,006 million in the payments, the deficit on "invisibles" widened \$13 million to \$417 million in the latest quarter. Contributing largely to this change were net travel expenditures and official contributions. In addition the value of gold production available for export declined \$1 million to \$33 million. These sources of deterioration were in part offset by improvements in the balances of other non-merchandise items.

Balances on Principal Non-Merchandise Transactions

	First three months				Change in 1967
	1964	1965	1966	1967	
	millions of dollars				
old production available for export	+ 33	+ 35	+ 34	+ 33	- 1
travel expenditures	- 91	- 89	- 114	- 129	- 15
interest and dividends	- 172	- 173	- 193	- 189	+ 4
freight and shipping	- 3	- 12	- 5	- 3	+ 2
inheritances and migrants' funds	- 8	- 1	+ 8	+ 16	+ 8
official contributions	- 12	- 23	- 33	- 52	- 19
all other current transactions	- 118	- 93	- 101	- 93	+ 8
balance on non-merchandise transactions	- 371	- 356	- 404	- 417	- 13

International travel receipts rose \$7 million to \$81 million in the first quarter of 1967, while the payments with a treble increase of \$22 million rose to \$210 million. The deficit on this score widened \$15 million from \$114 million to \$129 million; and the increase was distributed about evenly between travel transactions with the United States and overseas countries. The receipts from United States travellers gained \$6 million to \$70 million, while the expenditures by Canadians in the United States rose \$13 million to \$154 million. The changes in the proceeds of travel transactions with the overseas countries were smaller. The receipts increased \$1 million to \$11 million, and the payments \$9 million to \$56 million.

Travel Expenditures

	First three months				Change in 1967
	1964	1965	1966	1967	
	millions of dollars				
United States:					
Receipts ...	53	53	64	70	+ 6
Payments ...	109	113	141	154	+ 13
Balance	- 56	- 60	- 77	- 84	- 7
Overseas:					
Receipts ...	6	10	10	11	+ 1
Payments ...	41	39	47	56	+ 9
Balance	- 35	- 29	- 37	- 45	- 8
All countries:					
Receipts ...	59	63	74	81	+ 7
Payments ...	150	152	188	210	+ 22
Balance	- 91	- 89	- 114	- 129	- 15

Net payments of interest and dividends declined fractionally from \$193 million in the first quarter of 1966 to \$189 million in the same quarter of 1967. The decrease of \$11 million to \$249 million in payments of interest and dividends was somewhat larger than the \$7 million decline in the receipts to \$60 million in the latest quarter. A contraction in payments by Canadian subsidiaries to parent companies in the United States was chiefly responsible for a lowering of \$23 million in the dividend payments to \$144 million. In keeping with the course of recent years, interest payments increased \$12 million to \$105 million following large non-resident purchases in 1966 of new Canadian bonds, particularly of corporate and provincial issues. The payments of interest and dividends accounted for 45 per cent of the deficit on non-merchandise transactions, or about 3 percentage points lower than the corresponding proportion for 1966.

Interest and Dividends: Payments

Period	Total	Interest	Dividends
	millions of dollars		
1964	1,010	335	675
1965	1,071	372	699
1966	1,178	427	751
1965 I Q	240	77	163
II Q	252	108	144
III Q	230	78	152
IV Q	349	109	240
1966 I Q	260	93	167
II Q	264	120	144
III Q	239	92	147
IV Q	415	122	293
1967 I Q	249	105	144

Canada's official contributions increased \$19 million to \$52 million, which was the largest quarterly total next to the third quarter of 1966. Higher disbursements under the Colombo Plan and other bilateral economic aid programmes, together with a remission of the principal and interest on loans extended for purchases of Canadian wheat and flour, accounted for this rise. Payments in the first quarter of 1967 under the multilateral programmes were however somewhat lower.

With changes of about the same magnitude in both the receipts (from \$154 million to \$166 million) and payments (from \$159 million to \$169 million), the deficit from freight and shipping transactions narrowed slightly from \$5 million to \$3 million in the January - March quarter of 1967. With a rise of more than 40 per cent in the number of immigrants arriving in this quarter, the receipts of immigrants' funds and inheritances increased from \$44 million to \$60 million. As the payments rose more moderately from an unusually low level of \$36 million in the first

quarter of 1966 to \$44 million, the surplus widened from \$8 million to \$16 million. The deficit from all other current transactions narrowed by the same amount owing to factors such as receipts in connection with Expo 67 and miscellaneous income.

Current Transactions in the First Quarter (Seasonally adjusted)

After allowance for normal seasonal variations, Canada's current account deficit contracted from \$291 million in the final quarter of 1966 to \$140 million in the January - March quarter. Total receipts seasonally adjusted at quarterly rates, gained about 71/2 per cent from \$3,416 million to \$3,680 million, while total payments to non-residents for goods and services rose 3 per cent from \$3,707 million to \$3,820 million. Both of the totals were at the highest recorded levels.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

		Goods			Services			Total receipts	Total pay-ments	Current account balance
		Exports	Imports	Balance	Receipts(1)	Pay-ments(2)	Balance			
millions of dollars										
1965	I Q ...	2,071	2,026	+ 45	666	936	- 270	2,737	2,962	- 225
	II Q ...	2,138	2,077	+ 61	680	981	- 301	2,818	3,058	- 240
	III Q ...	2,203	2,163	+ 40	705	1,002	- 297	2,908	3,165	- 257
	IV Q ...	2,333	2,361	- 28	668	1,001	- 333	3,001	3,362	- 361
	Year	8,745	8,627	+ 118	2,719	3,920	- 1,201	11,464	12,547	- 1,083
1966	I Q ...	2,492	2,383	+ 109	716	1,029	- 313	3,208	3,412	- 204
	II Q ...	2,499	2,421	+ 78	732	1,041	- 309	3,231	3,462	- 231
	III Q ...	2,617	2,498	+ 119	750	1,126	- 376	3,367	3,624	- 257
	IV Q ...	2,662	2,588	+ 74	754	1,119	- 365	3,416	3,707	- 291
	Year	10,270	9,890	+ 380	2,952	4,315	- 1,363	13,222	14,205	- 983
1967	I Q ...	2,909	2,718	+ 191	771	1,102	- 331	3,680	3,820	- 140

(1) Including immigrants' funds and inheritances, by quarters in 1965: 52, 53, 53 and 53.

(2) Including emigrants' funds and inheritances: 52, 51, 55 and 53.

About three fourths of the improvement in the seasonally adjusted deficit in the first quarter originated from merchandise trade. The export surplus expanded from a low level of \$74 million in the last quarter of 1966 to \$191 million, seasonally adjusted at quarterly rates, in the latest period under review. The sharp improvement in the non-merchandise deficit from \$365 million to \$331 million was for the most part attributable to payments of unusually large dividends in the October - December quarter, followed by less than average remittances in the first quarter. The payments of interest and dividends fell from \$325 million to \$272 million, while the receipts declined more moderately from \$75 million to \$70 million. The changes in the first quarter in the balances of other non-merchandise items were small and offsetting, with the exception of travel expenditures. The deficit on international travel transactions widened from \$13 million to \$27 million. Travel receipts of \$220 million and the payments of \$247 million, seasonally adjusted at quarterly rates, both stood at the highest recorded levels so far.

Principal Non-merchandise Transactions
(Seasonally adjusted at quarterly rates)

	1966					1967
	I Q	II Q	III Q	IV Q	Year	I Q
millions of dollars						
<u>Receipts</u>						
Gold production available for export	35	28	30	32	125	33
Travel expenditures	205	216	213	206	840	220
Interest and dividends	80	77	62	75	294	70
Freight and shipping	176	171	179	173	699	185
Inheritances and migrants' funds	54	64	69	69	256	73
All other transactions	166	176	197	199	738	190
Totals	716	732	750	754	2,952	771
<u>Payments</u>						
Gold production available for export	-	-	-	-	-	-
Travel expenditures	224	224	233	219	900	247
Interest and dividends	280	285	288	325	1,178	272
Freight and shipping	191	193	196	193	773	202
Inheritances and migrants' funds	44	48	52	52	196	54
All other transactions	290	291	357	330	1,268	327
Totals	1,029	1,041	1,126	1,119	4,315	1,102
<u>Balance</u>						
Gold production available for export	+ 35	+ 28	+ 30	+ 32	+ 125	+ 33
Travel expenditures	- 19	- 8	- 20	- 13	- 60	- 27
Interest and dividends	- 200	- 208	- 226	- 250	- 884	- 202
Freight and shipping	- 15	- 22	- 17	- 20	- 74	- 17
Inheritances and migrants' funds	+ 10	+ 16	+ 17	+ 17	+ 60	+ 19
All other transactions	- 124	- 115	- 160	- 131	- 530	- 137
Totals	- 313	- 309	- 376	- 365	- 1,363	- 331

Transactions by Areas

Roughly three fourths of the \$65 million improvement in the current account balance between the first quarters of 1966 and 1967 occurred in Canada's transactions with the United States. Total receipts expanded \$325 million or 19 per cent from \$1,684 million to \$2,009 million, as total payments increased \$276 million or 12 per cent from \$2,290 million to \$2,566 million. The current account deficit accordingly declined from \$606 million to \$557 million. The improvement was entirely derived from merchandise trade, with the import balance contracting \$57 million or 20 per cent from \$292 million to \$235 million. Merchandise exports gained over 20 per cent from \$1,353 million to \$1,659 million, while merchandise imports rose 15 per cent from \$1,645 million to \$1,894 million. The deficit on non-merchandise transactions widened moderately from \$314 million to \$322 million. All the items shared in this slight deterioration, except interest and dividends. For the reason mentioned before, net payments of interest and dividends to the United States declined between the first quarters of 1966 and 1967.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1964	- 541	- 507	- 119	- 468	- 1,635
1965	- 589	- 530	- 170	- 623	- 1,912
1966	- 606	- 584	- 170	- 622	- 1,982
1967	- 557				
United Kingdom:					
1964	+ 87	+ 149	+ 156	+ 213	+ 605
1965	+ 106	+ 141	+ 134	+ 129	+ 510
1966	+ 106	+ 119	+ 112	+ 119	+ 456
1967	+ 128				
Other countries:					
1964	+ 118	+ 208	+ 171	+ 109	+ 606
1965	+ 88	+ 29	+ 72	+ 130	+ 319
1966	+ 95	+ 135	+ 174	+ 139	+ 543
1967	+ 89				

\$717 million to \$821 million, while total payments increased \$110 million or roughly 18 per cent from \$622 million to \$732 million in the first quarter of 1967. The current account surplus with other countries declined \$6 million to \$89 million. This small deterioration was attributable to a widening in Canada's deficit with other countries on non-merchandise transactions from \$73 million to \$89 million. The rise in official contributions from \$33 million to \$52 million accounted for more than the increase in the net service payments. The widening of the deficit on travel, interest and dividend accounts was counterbalanced by improvements in the balances on shipping, migrants' funds and miscellaneous current transactions. With an advance of \$80 million from \$587 million to \$667 million in merchandise exports, compared with a rise of \$70 million in merchandise imports from \$419 million to \$489 million, the trade surplus increased \$10 million to \$178 million. The increase in the value of wheat clearances alone to other countries outside the sterling area and the OECD group accounted for about one half of the export gain.

Canada's current account deficit with the United States in the first quarter of 1967 (excluding gold production available for export, which is conventionally attributed to the United States account) was \$590 million. Capital movements in long-term forms between the two countries produced an inflow of \$311 million while those in short-term forms (apart from changes in official holdings of gold and United States dollars) led to a further inflow of \$158 million. In sum, these transactions with the United States gave rise to net payments by Canada of \$121 million, an amount considerably below those recorded in the last three quarters of 1966 but nevertheless a continuing positive contribution to the balance of payments position of the United States.

Transactions with the United Kingdom and other overseas countries led, for the fourth successive quarter, to net receipts by Canada. The net receipts at \$75 million were down to one seventh of the high level reached in the preceding quarter. The fall in the normally favourable current account balance to \$217 million contributed to this change, however the major influence was a swing of \$398 million in the volatile short-term capital movements from an inflow of \$301 million in the fourth quarter of 1966 to an outflow of \$97 million in the quarter under review. A large part of this reversal represented the net withdrawal from the Canadian banking system of foreign currency deposits by overseas customers.

The \$46 million imbalance between the net payment to the United States and the net receipt from overseas countries was financed by a net reduction of \$13 million in official holdings of gold, foreign exchange and IMF balances, and by Canadian gold production of \$33 million.

The net spot holdings of foreign currency assets of the Canadian chartered banks vis-a-vis non-residents declined, on a transaction basis, by \$252 million in the quarter, while those with Canadian residents rose by \$170 million, an overall decline of \$82 million. Claims on residents of the United States fell by \$366 million while liabilities to them rose by \$13 million. With overseas countries a small increase in assets of \$3 million was augmented by a \$124 million decline in liabilities. Foreign

The over-the-year contractions, which had occurred in the preceding 3 quarters in Canada's surplus on current transactions with the United Kingdom, did not continue in the first quarter of 1967. This surplus rose \$22 million or some 20 per cent from \$106 million to \$128 million between the first quarters of the two most recent years. Total receipts rose \$22 million or 6 per cent from \$350 million to \$372 million, while total current payments remained without change at \$244 million. This improvement was distributed evenly between merchandise and "invisible" transactions. As a result of a slightly larger increase in merchandise exports from \$272 million to \$287 million than in merchandise imports from \$149 million to \$153 million, the trade surplus rose from \$123 million to \$134 million. Non-merchandise receipts gained \$7 million to \$85 million, while the payments declined \$4 million to \$91 million. Except for a fractional increase in the net payments of interest and dividends, the balances of other non-merchandise transactions improved moderately.

Total receipts from other countries advanced \$104 million or about 14 per cent from

Financing of Canada's Bilateral Account with the United States

	1964	1965	1966	1966				1967
				I Q	II Q	III Q	IV Q	I Q
	millions of dollars							
<u>Transactions with the United States:(1)</u>								
Current account balance	- 1,780	- 2,050	- 2,107	- 640	- 613	- 200	- 654	- 590
Capital movements in long-term forms	+ 1,013	+ 964	+ 1,146	+ 498	+ 245	+ 280	+ 123	+ 311
Capital movements in short-term forms	+ 626	- 508	- 347	+ 46	- 13	- 335	- 45	+ 158
Totals	- 141	- 1,594	- 1,308	- 96	- 381	- 255	- 576	- 121

Financing:

<u>Transactions with rest of world:</u>								
Current account balance	+ 1,211	+ 829	+ 999	+ 201	+ 254	+ 286	+ 258	+ 217
Capital movements in long-term forms	- 193	- 251	- 197	- 49	- 31	- 83	- 34	- 45
Capital movements in short-term forms	- 659	+ 1,035	+ 22	- 228	+ 12	- 63	+ 301	- 97
Sub-totals	+ 359	+ 1,613	+ 824	- 76	+ 235	+ 140	+ 525	+ 75
Gold production available for export	+ 145	+ 138	+ 125	+ 34	+ 29	+ 30	+ 32	+ 33
Increase (-) in official Canadian holdings of gold, foreign exchange, net asset with the IMF, etc.	- 363	- 157	+ 359	+ 138	+ 117	+ 85	+ 19	+ 13
Totals	+ 141	+ 1,594	+ 1,308	+ 96	+ 381	+ 255	+ 576	+ 121

(1) Excluding gold production available for export and changes in official monetary assets, shown with financing.

currency claims on Canadians dropped by \$19 million while liabilities to residents fell by \$189 million - largely swapped deposits. Thus the net decrease of \$82 million reflected a decline in net assets of \$379 million with residents of the United States and increases of \$127 million and \$170 million with residents of overseas countries and Canada, respectively.

Capital Movements

Summary	1964	1965	1966	1966				1967
				I Q	II Q	III Q	IV Q	I Q
				millions of dollars				
Capital movements in long-term forms	+ 820	+ 713	+ 949	+ 449	+ 214	+ 197	+ 89	+ 266
Capital movements in short-term forms ...	- 33	+ 527	- 325	- 182	- 1	- 398	+ 256	+ 61
Balance on goods and services	- 424	- 1,083	- 983	- 405	- 330	+ 116	- 364	- 340
Change in official holdings of gold, foreign exchange, and net balance with the International Monetary Fund	+ 363	+ 157	- 359	- 138	- 117	- 85	- 19	- 13

The net capital inflow into Canada (apart from official monetary movements shown separately in the balance of payments statements) totalled \$327 million in the first quarter of 1967 compared with \$267 million a year earlier. The current account deficit which the increased capital inflow served to finance decreased by \$65 million over the period to \$340 million, and the shortfall made up by the use of official monetary assets fell from \$138 million to \$13 million.

There were large changes in the composition of the capital flows. Inflows in long-term forms fell to \$266 million from the unusually high level of \$449 million a year earlier. This latter figure was inflated by substantial deliveries of new Canadian issues to the United States capital market which had been deferred from the previous quarter. The effect of adjusting the actual inflows to reflect the timing of security offerings is shown in the accompanying statement.

Capital Movements in Long-Term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1964	+ 820	+ 749
1965	+ 713	+ 980
1966	+ 949	+ 755
1964 I Q ..	+ 3	- 33
II Q ..	+ 133	+ 88
III Q ..	+ 212	+ 401
IV Q ..	+ 472	+ 293
1965 I Q ..	+ 128	+ 209
II Q ..	+ 134	+ 105
III Q ..	+ 216	+ 331
IV Q ..	+ 235	+ 335
1966 I Q ..	+ 449	+ 287
II Q ..	+ 214	+ 252
III Q ..	+ 197	+ 123
IV Q ..	+ 89	+ 93
1967 I Q ..	+ 266	+ 308

Capital movements in short-term forms which had resulted in a net outflow of \$182 million in the first quarter of 1966, led to an inflow of \$61 million in the first quarter of 1967. Transactions in foreign currency by and through the Canadian banking system accounted in large measure for the change.

Direct Investment

The net capital inflow for direct investment in foreign-controlled enterprises totalled \$120 million in the quarter under review, the same as in the corresponding quarter of the previous year but some \$85 million below the unusually high level reported for the fourth quarter of 1966. About 80 per cent of this inflow came from the United States while overseas countries other than the United Kingdom supplied the bulk of the remainder. Approximately one half of the total was channelled into manufacturing enterprises with the petroleum and natural gas industries accounting for a further quarter.

Canadian direct investment abroad led to an outflow of \$30 million. The largest movements were directed to manufacturing enterprises while there was a net inflow recorded for transactions by finance companies largely occasioned by the

sale of a foreign subsidiary of a Canadian company.

Security Transactions

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1966			1967
	1965	1966	II Q	III Q	IV Q	I Q
millions of dollars						
Canadian securities:						
Outstanding - Bonds	+ 55	- 102	- 25	- 51	- 14	- 10
Stocks	- 274	- 138	- 44	- 35	- 45	- 52
New issues	+ 1,209	+ 1,448	+ 358	+ 291	+ 216	+ 332
Retirements	- 382	- 486	- 152	- 90	- 132	- 57
Foreign securities:						
Outstanding issues	- 53	- 330	- 118	- 82	- 79	- 30
New issues	- 56	- 83	- 7	- 40	- 9	- 26
Retirements	+ 25	+ 16	+ 6	+ 3	+ 4	+ 2
Totals, all securities ..	+ 524	+ 325	+ 18	- 4	- 59	+ 159

During the first quarter of 1967 trading in portfolio securities between Canada and other countries, after two quarters of net capital outflows, returned to its characteristic role as a net source of capital with a net capital inflow of \$159 million. Net sales of Canadian issues rose to \$213 million from \$25 million recorded in the fourth quarter of 1966, while net purchases of foreign issues dropped from \$84 million last quarter to \$54 million in the first quarter of 1967.

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Un- delivered(1)
millions of dollars			
1964	957	1,028	51
1965	1,416	1,149	318
1966	1,151	1,345	124
1965 I Q ...	344	263	132
II Q ...	282	311	103
III Q ...	399	284	218
IV Q ...	391	291	318
1966 I Q ...	356	518	156
II Q ...	386	348	194
III Q ...	202	276	120
IV Q ...	207	203	124
1967 I Q ...	361	319	166

1) At end of period.

The value of new Canadian issues sold abroad rose during the first quarter of 1967 to \$332 million from \$216 million for the previous quarter. This rise was accounted for by a fourfold jump to \$228 million in new provincial government direct and guaranteed issues, while new Canadian corporation issues fell to a low \$43 million from \$93 million for the previous quarter. Total offerings of new Canadian bonds and debentures to residents of the United States rose during the first quarter by nearly 75 per cent to \$361 million. The net purchase balance from transactions in outstanding Canadian securities during the quarter amounted to \$62 million, about the same as the \$59 million recorded for the last quarter of 1966. Retirements of Canadian securities fell to \$57 million, the lowest level since the third quarter of 1965. It will be recalled that data for the first three quarters of 1966 included repurchases by the Government of Canada of one of its foreign pay issues.

As mentioned above, the capital outflow from transactions in foreign securities fell \$30 million to \$54 million. The predominant feature was a \$49 million drop to \$30 million in the net purchase of outstanding foreign issues, principally United States equities.

Detail of Long-Term Capital Transactions n.i.e.
Item D13

Year and quarter	Export credits(1)			Finance com- panies(2)	Other	Total
	Advances	Repay- ments	Net			
	millions of dollars					
964	- 321	+ 157	- 164	- 6	+ 116	- 54
965	- 252	+ 65	- 187	- 3	+ 71	- 119
966	- 256	+ 213	- 43	- 9	- 15	- 67
964 I Q	- 38	+ 7	- 31	+ 4	- 10	- 37
II Q	- 75	+ 23	- 52	+ 6	+ 25	- 21
III Q	- 123	+ 77	- 46	- 14	+ 85	+ 25
IV Q	- 85	+ 50	- 35	- 2	+ 16	- 21
965 I Q	- 59	+ 17	- 42	- 1	+ 55	+ 12
II Q	- 74	+ 13	- 61	- 6	+ 15	- 52
III Q	- 76	+ 22	- 54	+ 4	- 6	- 56
IV Q	- 43	+ 13	- 30	-	+ 7	- 23
966 I Q	- 45	+ 22	- 23	-	+ 1	- 22
II Q	- 55	+ 72	+ 17	- 4	+ 34	+ 47
III Q	- 84	+ 48	- 36	- 3	+ 13	- 26
IV Q	- 72	+ 71	- 1	- 2	- 63	- 66
967 I Q	- 36	+ 56	+ 20	- 1	- 10	+ 9

- 1) Export credits from Canada directly or indirectly at risk of the Government of Canada.
2) Finance company borrowing not included in items D1, 3, 4, 5, 17.3 or 17.4.

Other Capital Flows in Long-Term Forms

Disbursements by the Canadian government under intergovernmental loan programmes aggregated \$3 million in the first quarter of 1967 - all under the development loan programme. Repayments of principal on earlier loans totalled \$11 million, the bulk of which was accounted for by the forgiveness of the balance of a loan to India; the transaction was offset in the official contributions account. There were no further subscriptions to international institutions.

Transactions during the quarter arising from the financing of exports directly or indirectly at the risk of the Government of Canada led to a net inflow of \$20 million. The predominant factor was the net repayment received in respect of past exports of wheat to Communist countries.

All other transactions in long-term forms in the first quarter led to a net outflow of \$11 million; those associated with the financing of private long-term trade credits contributed significantly to this amount.

Capital Movements in Short-Term Forms

An inflow of \$61 million from capital movements in short-term forms was recorded in the first quarter of 1967, about one quarter of the level reached in the fourth quarter of 1966. Geographically there was a net inflow from the United States partially offset by a net outflow to overseas countries.

Non-resident holdings of Canadian dollars rose by \$58 million in the period under review. Net inflows of \$48 million and \$15 million were channelled into Canadian dollar deposits and treasury bills, respectively, while holdings of Government of Canada demand liabilities were reduced by \$5 million. Almost all areas except the United Kingdom increased their holdings of Canadian dollar deposits with the largest increase coming from the United States. There was a sizable reduction in the holdings of United Kingdom residents. The dominant factor in the net sales of \$15 million of Canadian treasury bills was an increase in the holdings of foreign institutions.

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1964	1965	1966	1966				1967
				I Q	II Q	III Q	IV Q	I Q
millions of dollars								
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 528	+ 138	- 587	- 165	- 9	- 299	- 114	+ 269
17.2 Canadian commercial paper, etc.	- 11	+ 10	- 2	- 12	- 5	+ 10	+ 5	- 5
17.3 Canadian finance company paper	+ 196	- 162	- 9	+ 23	- 5	- 55	+ 28	+ 10
17.4 Canadian finance company obligations, n.i.e.	+ 52	+ 209	+ 153	+ 34	- 12	+ 44	+ 87	- 23
17.5 All other transactions(1)	+ 246	+ 287	+ 119	- 33	+ 39	- 125	+ 238	- 248
Total (Item D 17)	- 45	+ 482	- 326	- 153	+ 8	- 425	+ 244	+ 3

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

Although other capital movements, as shown in the accompanying statement, resulted in only a small net inflow of \$3 million, there were some large flows in opposite directions encompassed in this total. After six successive quarterly outflows to augment Canadian holdings of bank balances and other short-term funds abroad (excluding official reserves) a \$269 million inflow was recorded as these holdings were run down, principally through the reduction of swapped and other United States dollar deposits. There was a concomitant reduction in chartered banks' United States assets and a decrease in liabilities to overseas countries. The net effect of these movements was a large inflow from the United States, partially offset by a net outflow to overseas countries.

Non-residents increased their holdings of Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) in the first quarter of 1967 by \$10

illion while transactions in other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies) led on balance to a net outflow of 23 million, a swing of \$110 million from the \$87 million inflow reported in the fourth quarter of 1966. In addition there were, of course, other finance company transactions not identified separately which have been included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. All in all the international borrowing of these companies in the first quarter of 1967 resulted in an aggregate net outflow of about \$15 million. International transactions in Canadian commercial paper (including bankers' acceptances) led to a net capital outflow of \$9 million while transactions in other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) resulted in an inflow of \$4 million.

All other transactions led to a net capital outflow of \$248 million. Changes in short-term loans and accounts receivable and payable were large contributors to this total.

Official Holdings of Gold and Foreign Exchange and Canada's Balance with the IMF

Official holdings of gold and foreign exchange fell during the quarter under review while there was an increase in Canada's balance with the International Monetary Fund so that Canada's net international monetary assets in these forms fell on balance by \$13 million - the fifth successive quarterly decline.

The decrease in official holdings of gold and United States dollars during the quarter amounted to \$35 million, expressed in Canadian funds, while corresponding holdings of sterling, which are confined to working balances, were little changed. Official holdings of gold and United States dollars expressed in terms of United States funds, amounted to \$2,203 million at March 31, 1967, a decline of \$12 million from the beginning of the year.

Canada's so-called "gold tranche position" with the IMF, together with loans made under the General Arrangements to Borrow, amounted to \$468.5 million, expressed in United States funds, at the end of the quarter, having increased by \$20.0 million in the three month period. The total represents the net resources made available by Canada to the IMF and may be drawn by Canada virtually automatically in statement of balance of payments need, although Canada would then be under an obligation to restore the figure to 25 per cent of its quota which is currently \$740, i.e. to \$185 million.

United States Dollar in Canada					Exchange Holdings and IMF Balance		
Period	High	Low	Close	Noon average	End of period	Official holdings of gold and United States dollars	Net balance with International Monetary Fund
Canadian cents					millions of United States dollars		
1964 III Q ..	108.22	107.50	107.50	107.87	1964 III Q	2,625	80
IV Q ..	107.63	107.25	107.38	107.46	IV Q	2,674	197
1965 I Q ..	108.44	107.31	107.97	107.71	1965 I Q	2,554	240
II Q ..	108.38	107.72	108.34	108.04	II Q	2,480	327
III Q ..	108.50	107.53	107.59	107.94	III Q	2,614	403
IV Q ..	107.78	107.38	107.50	107.53	IV Q	2,665	353
1966 I Q ..	107.81	107.34	107.72	107.58	1966 I Q	2,510	379
II Q ..	107.88	107.53	107.53	107.67	II Q	2,342	438
III Q ..	107.78	107.34	107.78	107.54	III Q	2,244	457
IV Q ..	108.41	107.78	108.38	108.15	IV Q	2,236	448
1967 I Q ..	108.34	107.75	108.25	108.07	1967 I Q	2,203	468
					January ...	2,238	468
					February ..	2,194	468
					March	2,203	468

te: The table of exchange holdings does not include holdings of the Government of Canada at December 31, 1966 of \$144 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Under the agreement negotiated with the United States authorities regarding access to the capital markets in that country Canada's official holdings of gold and foreign exchange, together with Canada's net creditor position in the International Monetary Fund (Canada's balance with the IMF less the Canadian quota subscription payment in gold of \$185 million) should not normally exceed a level of \$2,550 million, expressed in the United States funds. This total at the end of the first quarter of 1967 was \$2,487 million.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold		
								Total liabi- lities	
millions of United States dollars									
1947-61	550.0		550.0	412.5		- 99.6	25.0	337.9	212.1
1962			550.0		300.0	50.3		688.2	- 138.2
1963			550.0		- 79.7			608.5	- 58.5
1964		15.0	565.0	15.0	- 166.0	- 99.0	9.0	367.5	197.5
1965		35.0	600.0	35.0		- 183.4	27.5	246.6	353.4
1966	190.0		790.0	142.5		- 47.6		341.5	448.5
1966 I Q			600.0			- 25.5		221.1	378.9
II Q	190.0		790.0	142.5		- 11.9		351.7	438.3
III Q			790.0			- 18.7		333.0	457.0
IV Q			790.0			8.5		341.5	448.5
1967 I Q			790.0			- 20.0		321.5	468.5

(1) This is a cumulative measure of the net resources provided by Canada to the IMF. The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents the so-called "gold tranche position" plus borrowing under the General Arrangements to Borrow (GAB). This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of the Quota.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

QUARTERLY STATISTICS OF THE CANADIAN
BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1965 - FIRST QUARTER 1967

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1965 and 1966 are preliminary and data for 1967 are subject to revision

No.		1965			
		I	II	III	IV
		millions of dollars			
A	Current receipts:				
1	Merchandise exports (adjusted)	1,826	2,191	2,263	2,465
3	Gold production available for export	35	34	35	34
4	Travel expenditures	63	158	415	111
5	Interest and dividends	67	73	70	100
6	Freight and shipping	143	172	181	177
7	Inheritances and immigrants' funds	42	55	63	51
11	All other current receipts	155	156	159	170
12	Total current receipts	2,331	2,839	3,186	3,108
B	Current payments:				
1	Merchandise imports (adjusted)	1,865	2,218	2,102	2,442
4	Travel expenditures	152	210	271	146
5	Interest and dividends	240	252	230	349
6	Freight and shipping	155	198	204	198
7	Inheritances and emigrants' funds	43	49	61	58
9	Official contributions	23	20	31	18
11	All other current payments	248	252	251	261
12	Total current payments	2,726	3,199	3,150	3,472
C	Current account balance:				
1	Merchandise trade	- 39	- 27	+ 161	+ 23
2	Other transactions, excluding B 9	- 333	- 313	- 94	- 369
3	Official contributions	- 23	- 20	- 31	- 18
4	Total	- 395	- 360	+ 36	- 364
D	Capital account:				
	Direct investment:				
1	Direct investment in Canada	+ 70	+ 126	+ 96	+ 113
2	Direct investment abroad	- 44	-	- 53	- 28
	Canadian securities:				
3.1	Trade in outstanding bonds and debentures	+ 2	+ 13	+ 36	+ 4
3.2	Trade in outstanding common and preference stocks	- 93	- 85	- 28	- 68
4	New issues	+ 283	+ 321	+ 294	+ 311
5	Retirements	- 68	- 178	- 56	- 80
6,7,8	Foreign securities	- 39	- 13	- 18	- 14
	Loans and capital subscriptions by Government of Canada:				
9	Advances, etc.	-	-	-	- 14
10	Repayments to Canada	+ 5	+ 2	+ 1	+ 2
11	Columbia River Treaty, net	-	-	-	+ 32
13	Long-term capital transactions n.i.e.	+ 12	- 52	- 56	- 23
	Change in Canadian dollar holdings of foreigners:				
14.1	Deposits	+ 38	- 37	- 19	+ 49
14.2	Government of Canada demand liabilities	- 1	- 4	- 5	+ 12
14.3	Canadian treasury bills	+ 27	- 10	- 2	- 3
17	Other capital movements	+ 131	+ 278	-	+ 73
E	Net capital movement (excluding monetary items shown below) in:				
1	Long-term forms (D1 to D13)	+ 128	+ 134	+ 216	+ 235
2	Short-term forms (D14 to D17)	+ 195	+ 227	- 26	+ 131
3	Total	+ 323	+ 361	+ 190	+ 366
H = C+E	Official monetary movements in the form of:				
1	Change in official holdings of gold and foreign exchange	- 118	- 92	+ 144	+ 55
2	Change in net International Monetary Fund position	+ 46	+ 93	+ 82	- 53
3	Other special international financial assistance	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1965 and 1966 are preliminary and data for 1967 are subject to revision

1966				1967	Annual totals			Four quarters ended March 31, 1967	No.
I	II	III	IV	I	1964	1965	1966		
millions of dollars									
2,212	2,586	2,682	2,790	2,613	8,238	8,745	10,270	10,671	A 1 3 4 5 6 7 11 12
34	29	30	32	33	145	138	125	124	
74	184	455	127	81	662	747	840	847	
67	69	46	112	60	332	310	294	287	
154	174	193	178	166	644	673	699	711	
44	68	81	63	60	169	211	256	272	
166	173	196	203	189	557	640	738	761	
2,751	3,283	3,683	3,505	3,202	10,747	11,464	13,222	13,673	
2,213	2,579	2,382	2,716	2,536	7,537	8,627	9,890	10,213	B 1 4 5 6 7 9 11 12
188	240	314	158	210	712	779	900	922	
260	264	239	415	249	1,010	1,071	1,178	1,167	
159	201	213	200	169	679	755	773	783	
36	44	60	56	44	201	211	196	204	
33	14	87	33	52	69	92	167	186	
267	271	272	291	282	963	1,012	1,101	1,116	
3,156	3,613	3,567	3,869	3,542	11,171	12,547	14,205	14,591	
- 1	+ 7	+ 300	+ 74	+ 77	+ 701	+ 118	+ 380	+ 458	C 1 2 3 4
- 371	- 323	- 97	- 405	- 365	- 1,056	- 1,109	- 1,196	- 1,190	
- 33	- 14	- 87	- 33	- 52	- 69	- 92	- 167	- 186	
- 405	- 330	+ 116	- 364	- 340	- 424	- 1,083	- 983	- 918	
+ 120	+ 190	+ 145	+ 205	+ 120	+ 270	+ 405	+ 660	+ 660	D 1 2 3.1 3.2 4 5 6,7,8 9 10 11 13 14.1 14.2 14.3 17
- 15	- 40	+ 90	- 25	- 30	- 95	- 125	+ 10	- 5	
- 12	- 25	- 51	- 14	- 10	+ 77	+ 55	- 102	- 100	
- 14	- 44	- 35	- 45	- 52	- 98	- 274	- 138	- 176	
+ 583	+ 358	+ 291	+ 216	+ 332	+ 1,100	+ 1,209	+ 1,448	+ 1,197	
- 112	- 152	- 90	- 132	- 57	- 382	- 382	- 486	- 431	
- 75	- 119	- 119	- 84	- 54	- 52	- 84	- 397	- 376	
- 6	- 3	- 9	- 17	- 3	- 10	- 14	- 35	- 32	
+ 2	+ 2	+ 1	+ 19	+ 11	+ 10	+ 10	+ 24	+ 33	
-	-	-	+ 32	-	+ 54	+ 32	+ 32	+ 32	
- 22	+ 47	- 26	- 66	+ 9	- 54	- 119	- 67	- 36	
- 15	- 7	+ 20	+ 13	+ 48	+ 28	+ 31	+ 11	+ 74	
- 6	- 2	+ 5	+ 8	- 5	-	+ 2	+ 5	+ 6	
- 8	-	+ 2	- 9	+ 15	- 16	+ 12	- 15	+ 8	
- 153	+ 8	- 425	+ 244	+ 3	- 45	+ 482	- 326	- 170	
+ 449	+ 214	+ 197	+ 89	+ 266	+ 820	+ 713	+ 949	+ 766	E 1 2 3
- 182	- 1	- 398	+ 256	+ 61	- 33	+ 527	- 325	- 82	
+ 267	+ 213	- 201	+ 345	+ 327	+ 787	+ 1,240	+ 624	+ 684	
- 166	- 181	- 105	- 10	- 35	+ 86	- 11	- 462	- 331	H = C+E 1 2 3
+ 28	+ 64	+ 20	- 9	+ 22	+ 277	+ 168	+ 103	+ 97	
-	-	-	-	-	-	-	-	-	

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1967

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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1967

Higher levels of exports, particularly in the first quarter, in combination with a narrowed deficit on non-merchandise transactions brought about an appreciable reduction in Canada's current account deficit in the first half of 1967. Contributing to the improvement in the services balance was an impressive rise in travel receipts with the opening of Expo 67 in late April, offset in part by an expansion in Canada's foreign economic aid, particularly in donations of wheat.

Capital inflows in long-term forms in the second quarter were somewhat below the average for the recent period. A fairly large outward movement of short-term capital took place; and official monetary assets were reduced for the 6th consecutive quarter.

Summary Statement

	1965	1966	1966				1967	
			I Q	II Q	III Q	IV Q	I Q	II Q
			millions of dollars					
Merchandise trade balance	+ 118	+ 224	+ 10	- 49	+ 223	+ 40	+ 102	- 2
Deficit on non-merchandise transactions	- 1,248	- 1,361	- 406	- 326	- 182	- 447	- 408	- 247
Current account balance	- 1,130	- 1,137	- 396	- 375	+ 41	- 407	- 306	- 249
Capital movements(1)	+ 1,287	+ 778	+ 258	+ 258	- 126	+ 388	+ 293	+ 194
Long-term forms	+ 864	+ 1,024	+ 462	+ 224	+ 219	+ 119	+ 316	+ 275
Short-term forms	+ 423	- 246	- 204	+ 34	- 345	+ 269	- 23	- 81
Change in official holdings of gold, foreign exchange, and net balance with International Monetary Fund	+ 157	- 359	- 138	- 117	- 85	- 19	- 13	- 55

(1) Excluding change in official exchange holdings.

Canada's total receipts from international transactions in goods and services rose \$1,044 million or 17 per cent from \$6,097 million in the first 6 months of 1966 to \$7,141 million in the first half of 1967. Total current payments expanded \$828 million, or 12 per cent, from \$6,868 million to \$7,696 million over the same period. Accordingly, the current account deficit contracted about \$216 million to \$555 million in the first half year 1967 from the revised total of \$771 million for the corresponding period of 1966. Of this improvement, \$139 million, or 64 per cent, originated from merchandise trade and \$77 million from non-merchandise transactions. Approximately 58 per cent of the reduction in the deficit arose from Canada's transactions with the United States (primarily on account of travel expenditures) nearly 14 per cent from transactions with the United Kingdom and about 28 per cent with all other countries. Within this last group, as the current deficit widened with the other ECDC countries in Europe, the improvement was concentrated in transactions with the Rest of the Sterling Area and in particular with the remaining countries.

The data for 1965 and 1966 which are included in this report reflect larger than usual revisions. The most important of these relate to commodity trade in 1966. As was noted in the report for the first quarter, exports have now been revised to reflect the addition of nearly \$60 million consisting to a large extent of automotive products shipped to Latin American markets which became known after the earlier estimates were struck. Commodity imports reflect the addition of approximately \$200 million representing correction for a lag which developed in 1966 in the receipt by the Dominion Bureau of Statistics of import documents from an important Canadian port. Estimates of capital movements in 1965 show sharply increased inflows for direct investment; reporting and other errors were revealed in the construction of final estimates. As is always the case, many other items in each of the years reflect revisions, on a smaller scale; as the result of more complete information which is now available.

Summary of Current Transactions with the United States, United Kingdom and Other Countries
1966 and 1967, and Changes Between the Periods

	1966	1967	Change		1966	1967	Change	
	millions of dollars							
<u>Second quarter</u>	<u>All Countries</u>				<u>United States</u>			
Merchandise exports (adjusted)	2,602	3,020	+	418	1,601	1,871	+	270
Merchandise imports (adjusted)	2,651	3,022	+	371	1,927	2,234	+	307
Balance on merchandise trade	- 49	- 2	+	47	- 326	- 363	-	37
Other current receipts	722	910	+	188	468	610	+	142
Other current payments	1,048	1,157	+	109	747	765	+	18
Balance on non-merchandise transactions ...	- 326	- 247	+	79	- 279	- 155	+	124
Total receipts	3,324	3,930	+	606	2,069	2,481	+	412
Total payments	3,699	4,179	+	480	2,674	2,999	+	325
Current account balance	- 375	- 249	+	126	- 605	- 518	+	87
<u>January to June</u>								
Merchandise exports (adjusted)	4,825	5,629	+	804	2,954	3,530	+	576
Merchandise imports (adjusted)	4,864	5,529	+	665	3,573	4,136	+	563
Balance on merchandise trade	- 39	+ 100	+	139	- 619	- 606	+	13
Other current receipts	1,272	1,512	+	240	815	972	+	157
Other current payments	2,004	2,167	+	163	1,402	1,447	+	45
Balance on non-merchandise transactions ...	- 732	- 655	+	77	- 587	- 475	+	112
Total receipts	6,097	7,141	+	1,044	3,769	4,502	+	733
Total payments	6,868	7,696	+	828	4,975	5,583	+	608
Current account balance	- 771	- 555	+	216	- 1,206	- 1,081	+	125
<u>Second quarter</u>	<u>United Kingdom</u>				<u>Other Countries</u>			
Merchandise exports (adjusted)	285	319	+	34	716	830	+	114
Merchandise imports (adjusted)	166	197	+	31	558	591	+	33
Balance on merchandise trade	+ 119	+ 122	+	3	+ 158	+ 239	+	81
Other current receipts	94	97	+	3	160	203	+	43
Other current payments	102	103	+	1	199	289	+	90
Balance on non-merchandise transactions ...	- 8	- 6	+	2	- 39	- 86	-	47
Total receipts	379	416	+	37	876	1,033	+	157
Total payments	268	300	+	32	757	880	+	123
Current account balance	+ 111	+ 116	+	5	+ 119	+ 153	+	34
<u>January to June</u>								
Merchandise exports (adjusted)	556	603	+	47	1,315	1,496	+	181
Merchandise imports (adjusted)	315	348	+	33	976	1,045	+	69
Balance on merchandise trade	+ 241	+ 255	+	14	+ 339	+ 451	+	112
Other current receipts	169	178	+	9	288	362	+	74
Other current payments	196	189	-	7	406	531	+	125
Balance on non-merchandise transactions ...	- 27	- 11	+	16	- 118	- 169	-	51
Total receipts	725	781	+	56	1,603	1,858	+	255
Total payments	511	537	+	26	1,382	1,576	+	194
Current account balance	+ 214	+ 244	+	30	+ 221	+ 282	+	61

Merchandise Trade Balance Improves

The sharp improvement in the trade balance from a deficit of \$39 million in the first two quarters of 1966 to a surplus of \$100 million in 1967 resulted from an expansion of nearly 17 per cent in merchandise exports from \$4,825 million to \$5,629 million offset by a smaller rise of almost 14 per cent in merchandise imports from \$4,864 million to \$5,529 million in the first half of 1967.

Many commodities contributed to the \$804 million gain in merchandise exports between the first half years of 1966 and 1967. On the basis, however, of incomplete detailed information, it would appear that automotive products accounted for well over one half of the rise. Exports of aircraft engines and aircraft parts rose about \$40 million; and increases in the neighbourhood of \$20 million to \$30 million each took place in the shipments of crude petroleum, aluminum, copper concentrates, copper refinery shapes, wood pulp, newsprint and paper products. Shipments were also moderately higher for a variety of commodities, including fish products, natural gas, communication equipment, office machines and firearms. In total there was little change between the first halves of 1966 and 1967 in the values of clearances overseas of wheat, but a reduction of nearly \$100 million in the shipments on Russian account and a much smaller decline to Mainland China were offset by a substantial increase in the grants of wheat to India, in particular, and moderately larger shipments to Japan, South Africa, the United Kingdom and countries in Western and Eastern Europe. Exports of meat, seeds and uranium were lower.

As with commodity exports, detailed information is not yet available for imports for the month of June 1967. Moreover there is some inconsistency in comparing in the context of the revised totals of imports the changes in commodity groups as originally tabulated. Notwithstanding these reservations, however, it appears clear that automotive products accounted for about 50 per cent of the \$665 million expansion in merchandise imports between the first halves of 1966 and 1967. Larger imports were also indicated for crude petroleum, fuel oil, cotton fabrics, steel materials, machinery, communication and other equipment and tools, electronic computers, aircraft engines and parts and photographic goods. Imports of nickel, ships and aircraft were, on the other hand, lower.

The average prices of Canadian exports, which gained nearly 3 per cent between the first and third quarters of 1966, increased but slightly through June 1967. The average import prices after rising fractionally between the first and last quarters of 1966 continued to go up a shade in the early months of 1967.

A Reduced Deficit on Non-merchandise Transactions

Reversing the widening since 1964, the non-merchandise deficit declined more than 10 per cent from \$732 million in the first half of 1966 to \$655 million in 1967. A sharp swing between the second quarters in the international travel balance from a deficit to a substantial surplus was the principal factor in the improvement. Migrants' funds and inheritances, freight and shipping accounts contributed more moderately to the favourable change, while official contributions, gold production available for export and the balances of the other "invisible" items deteriorated.

Balances on Principal Non-merchandise Transactions

	1964	First six months			Change in 1967
		1965	1966	1967	
		millions of dollars			
Gold production available for export	+ 74	+ 69	+ 63	+ 59	- 4
Travel expenditures	- 138	- 155	- 173	- 9	+ 164
Interest and dividends	- 331	- 358	- 345	- 382	- 37
Freight and shipping	- 14	- 37	- 40	- 25	+ 15
Inheritances and migrants' funds	- 12	+ 7	+ 35	+ 68	+ 33
Official contributions	- 28	- 44	- 47	- 132	- 85
Gold other current transactions	- 223	- 200	- 225	- 234	- 9
Balance on non-merchandise transactions	- 672	- 718	- 732	- 655	+ 77

A combination of a small decline in the Canadian travel expenditures abroad and a near-doubling in the receipts from foreign visitors, attracted by Expo 67 and other centennial year celebrations, caused the deficit of \$56 million in the 2nd quarter of 1966 to change into a surplus of \$120 million one year later. This was the first 2nd quarter travel surplus since the late Forties. Because of the existence in the first quarter of 1967 of a travel deficit of \$129 million, a small deficit of \$9 million remained for the first half year. More than 90 per cent of the improvement of the international travel balance was concentrated in Canada's transactions with the United States. From a deficit level of between \$90 million and \$94 million in the first half year 1965 and 1966, the balance changed to a surplus of \$56 million for the first 6 months of 1967. This dramatic improvement in the travel balance of \$150 million could be attributed, for the most part, to the rise in the receipts from United States visitors from \$156 million in the April-June quarter of 1966 to \$307 million in the 2nd quarter of 1967. The improvement in these receipts was but \$6 million between the first quarters of the two years; and this was counterbalanced by a rise in the Canadian travel payments to the United States of \$7 million between the first half years 1966 and 1967. Nearly 60 per cent of the \$150 million gain in travel receipts was attributable to the expenditures of persons who arrived in automobiles, and about another 40 per cent to visitors who came by bus and aircraft.

Travel Expenditures

	First six months				Change in 1967
	1964	1965	1966	1967	
	millions of dollars				
United States:					
Receipts ...	173	186	220	377	+ 157
Payments ...	240	276	314	321	+ 7
Balance	- 67	- 90	- 94	+ 56	+ 150
Overseas:					
Receipts ...	26	35	38	55	+ 17
Payments ...	97	100	117	120	+ 3
Balance	- 71	- 65	- 79	- 65	+ 14
All countries:					
Receipts ...	199	221	258	432	+ 174
Payments ...	337	376	431	441	+ 10
Balance	- 138	- 155	- 173	- 9	+ 164

Interest and Dividends: Payments

Period	Total	Interest	Dividends
	millions of dollars		
1964	1,010	335	675
1965	1,086	383	703
1966	1,135	428	707
1965 I Q	260	82	178
II Q	244	111	133
III Q	225	79	146
IV Q	357	111	246
1966 I Q	247	93	154
II Q	250	120	130
III Q	230	93	137
IV Q	408	122	286
1967 I Q	237	105	132
II Q	261	130	131

An amount in the order of about \$150 million might be considered as a preliminary estimate of the additional travel receipts generated by Expo 67 up to mid-year. Indicative of the continuing expansion of these receipts in the 3rd quarter of 1967 is the jump of over 180 per cent between July of 1966 and 1967 in the entries into Quebec of foreign registered automobiles. Although it remains to be seen what the overall effect on Canada's travel receipts may be, some Expo 67 visits particularly over the summer months, may be at the expense of normal travel in some other areas of Canada, and there may, of course, have been changes in the lengths of stay and other characteristics of travel in the peak months of a year featuring special attractions from coast to coast.

Net interest and dividend payments in the first 6 months of 1967 rose to \$382 million from \$345 million in the corresponding period of 1966. Almost all of this \$37 million increase was attributable to reduced interest and dividend receipts. Dividend receipts contracted sharply during the 2nd quarter, bringing the total for the first half of 1967 to \$75 million, down \$31 million from the corresponding 1966 estimate. Dividend receipts from Sterling Area countries other than the United Kingdom fell by \$10 million during the quarter from the exceptionally high 1966 level, and receipts from the United States were also halved, mainly as a result of a withholding tax adjustment relating to transfers in earlier years by a large oil company. Total interest receipts were moderately lower at \$41 million. At \$498 million interest and dividend payments were little changed in total. However, interest payments were higher at \$235 million, as a consequence mainly of large United States purchases of new corporate and provincial bond issues, while dividend payments were somewhat lower at \$263 million on account of reduced payments in the first quarter.

With freight receipts rising \$30 million to \$371 million and the payments increasing one-half as much to \$396 million, net payments for freight and shipping services narrowed \$15 million to \$25 million in the first half year

1967. Inland freight receipts on exports gained over this period, as did also many other items in this group of transactions pertaining to the carriage of an increased volume of trade. On account of a rise of over one-third in the receipts, offset by a much smaller increase in the payments, the surplus of migrants' funds and inheritances nearly doubled from \$35 million to \$68 million between the first half of 1966 and 1967. The number of immigrants arriving in Canada increased from 86,000 persons to almost 109,000 persons over this period. Gold production available for export declined by \$4 million to \$59 million.

Following an addition of \$19 million to \$52 million in the first quarter of 1967, the official contributions continued to rise sharply from \$14 million in the second quarter of 1966 to \$80 million one year later. A major part of this large total constituted shipments of wheat in particular to India under the international food aid programme. For the first half year, the expansion in Canada's grant aid to foreign countries amounted to \$85 million. Larger net receipts from other government transactions, attributable largely to the preparation and operation of Expo 67, were outweighed by a widening deficit on business services and a rise in personal and institutional remittances following the warfare in the Middle East.

On account of the above developments, the proportion of the "invisible" deficit attributable to interest and dividends rose to 58 per cent in the first half of 1967 from a level short of 50 per cent in the corresponding periods of 1965 and 1966. The proportion for official contributions expanded from roughly 6 per cent to 20 per cent; and the share for miscellaneous current transactions widened from 28 per cent in the first 6 months of 1965 to 31 per cent and to approximately 36 per cent in the latest period. The contribution of travel expenditures to the non-merchandise deficit contracted from over 20 per cent to about 1 per cent in the January-June period of 1967, while the proportion for freight and shipping services narrowed slightly from approximately 5 per cent to 4 per cent. At 9 per cent, the offsetting contribution of gold production available for export remained practically unchanged, but that of migrants' funds and inheritances widened from 1 per cent to 5 per cent and to 10 per cent in the first half of 1967.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

		Goods			Services			Total receipts	Total pay-ments	Current account balance
		Exports	Imports	Balance	Receipts(1)	Pay-ments(2)	Balance			
millions of dollars										
65	I Q ...	2,066	2,019	+ 47	666	961	- 295	2,732	2,980	- 248
	II Q ...	2,115	2,080	+ 35	673	992	- 319	2,788	3,072	- 284
	III Q ...	2,210	2,186	+ 24	708	1,008	- 300	2,918	3,194	- 276
	IV Q ...	2,354	2,342	+ 12	689	1,023	- 334	3,043	3,365	- 322
	Year	8,745	8,627	+ 118	2,736	3,984	- 1,248	11,481	12,611	- 1,130
66	I Q ...	2,492	2,394	+ 98	731	1,039	- 308	3,223	3,433	- 210
	II Q ...	2,518	2,486	+ 32	754	1,061	- 307	3,272	3,547	- 275
	III Q ...	2,633	2,586	+ 47	757	1,135	- 378	3,390	3,721	- 331
	IV Q ...	2,683	2,636	+ 47	773	1,141	- 368	3,456	3,777	- 321
	Year	10,326	10,102	+ 224	3,015	4,376	- 1,361	13,341	14,478	- 1,137
57	I Q ...	2,899	2,710	+ 189	805	1,105	- 300	3,704	3,815	- 111
	II Q ...	2,921	2,838	+ 83	963	1,173	- 210	3,884	4,011	- 127

(1) Including immigrants' funds and inheritances, by quarters in 1965: 54, 53, 53 and 56.

(2) Including emigrants' funds and inheritances: 54, 53, 53, and 51.

Canada's current account deficit, after adjustment for seasonal variations, contracted 64 per cent from the second half of 1966 to the January-June period of 1967. This latter balance stood at about one half of the deficit for the first half of 1966, which itself was comparatively small. A pronounced rise in the merchandise trade surplus, particularly in the first quarter of 1967, combined with a narrowing trend in the non-merchandise deficit brought about this improvement. From an estimate of \$2,683 million (seasonally adjusted at quarterly rates) in the October-December quarter of 1966, merchandise exports gained \$238 million, or almost 9 per cent, to \$2,921 million in the second quarter of 1967. About 90 per cent of this increase occurred in the first quarter. Over the same period of 6 months, merchandise imports rose \$202 million, or more than 7 per cent, to \$2,838 million; and well over 60 per cent of this increase was attributed to the second quarter of 1967. Reductions in the deficits on interest, dividends and miscellaneous current transactions largely accounted for the narrowing of the deficit on non-merchandise transactions in the first quarter of 1967. But in the second quarter, these changes were reversed and in part offset a substantial improvement of \$200 million in the travel balance.

Principal Non-merchandise Transactions
(Seasonally adjusted at quarterly rates)

	1966					1967	
	I Q	II Q	II Q	IV Q	Year	I Q	II Q
	millions of dollars						
<u>Receipts</u>							
Gold production available for export	33	30	30	32	125	33	27
Travel expenditures	205	214	210	211	840	231	403
Interest and dividends	85	85	70	83	323	73	57
Freight and shipping	180	184	195	197	756	196	202
Inheritances and migrants' funds	58	67	71	72	268	77	89
All other transactions	170	174	181	178	703	195	185
Totals	731	754	757	773	3,015	805	963
<u>Payments</u>							
Gold production available for export	-	-	-	-	-	-	-
Travel expenditures	224	221	230	228	903	243	215
Interest and dividends	263	277	284	311	1,135	257	286
Freight and shipping	204	205	208	208	825	212	213
Inheritances and migrants' funds	46	48	52	52	198	54	51
All other transactions	302	310	361	342	1,315	339	408
Totals	1,039	1,061	1,135	1,141	4,376	1,105	1,173
<u>Balance</u>							
Gold production available for export	+ 33	+ 30	+ 30	+ 32	+ 125	+ 33	+ 27
Travel expenditures	- 19	- 7	- 20	- 17	- 63	- 12	+ 188
Interest and dividends	- 178	- 192	- 214	- 228	- 812	- 184	- 229
Freight and shipping	- 24	- 21	- 13	- 11	- 69	- 16	- 11
Inheritances and migrants' funds	+ 12	+ 19	+ 19	+ 20	+ 70	+ 23	+ 38
All other transactions	- 132	- 136	- 180	- 164	- 612	- 144	- 223
Totals	- 308	- 307	- 378	- 368	- 1,361	- 300	- 210

Transactions by Areas

Total receipts for the exports of goods and services to the United States increased \$733 million, or nearly 20 per cent from \$3,769 million to \$4,502 million between the first halves of 1966 and 1967. Total payments to the United States advanced \$608 million, or 12 per cent, from \$4,975 million to \$5,583 million. The current account deficit accordingly contracted \$125 million, or roughly 10 per cent, from \$1,206 million to \$1,081 million in the January - June period of 1967. Only 10 per cent of this improvement originated from merchandise trade, as the gain in merchandise exports was but \$13 million greater than the increase in imports. Merchandise exports to the United States rose more than 19 per cent from \$2,954 million to \$3,530 million, while imports increased over 15 per cent from \$3,573 million to \$4,136 million. Exports of automobiles and parts and of trucks under the duty-free arrangements increased substantially. Shipments of agricultural machinery, including combines and parts, and of crude fertilizers also expanded. Increased supplies in the United States reduced exports of beef to that country below the total for the first half of 1966.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
millions of dollars					
United States:					
1964	- 541	- 507	- 119	- 468	- 1,635
1965	- 595	- 532	- 175	- 635	- 1,937
1966	- 601	- 605	- 185	- 626	- 2,017
1967	- 563	- 518			
United Kingdom:					
1964	+ 87	+ 149	+ 156	+ 213	+ 605
1965	+ 96	+ 141	+ 138	+ 130	+ 505
1966	+ 103	+ 111	+ 100	+ 107	+ 421
1967	+ 128	+ 116			
Other countries:					
1964	+ 118	+ 208	+ 171	+ 109	+ 606
1965	+ 78	+ 27	+ 71	+ 126	+ 302
1966	+ 102	+ 119	+ 126	+ 112	+ 459
1967	+ 129	+ 153			

Continuing large arrivals of automobiles, engines and parts constituted an important part of the rise in the imports. Imports of agricultural machinery, excavating equipment and electronic computers were higher in 1967.

The sizable improvement of \$150 million in the travel balance with the United States, described before, was in part offset by much smaller deteriorations in the balances pertaining to interest, dividends, migrants' funds, gold production available for export and some other services. The net reduction in the non-merchandise deficit amounted to \$112 million from \$587 million to \$475 million.

With an advance of \$56 million in the receipts from the United Kingdom to \$781 million, offset partially by a rise of \$26 million to \$537 million in the payments, Canada's current account surplus widened 14 per cent from \$214 million to \$244 million in the first two quarters of 1967. The improvement was distributed just about evenly between merchandise trade and non-merchandise transactions. Merchandise exports amounted to \$603 million in the first half of 1967, up more than 8 per cent from \$556 million for the same period of 1966; and the estimated imports for 1967 of \$348 million stood about 10 per cent

above \$315 million for the January - June period of 1966. Non-merchandise receipts increased \$9 million to \$178 million, while the payments declined \$7 million to \$189 million. Of the improvement of \$16 million in the "invisible" balance, migrants' funds and inheritances accounted for about a half.

Canada's current account surplus widened \$61 million with the other countries from \$221 million to \$282 million. Total receipts increased 16 per cent from \$1,603 million to \$1,858 million, while total payments rose 14 per cent from \$1,382 million to \$1,576 million. Merchandise exports totalled \$1,496 million in the first half of 1967, up nearly 14 per cent from \$1,315 million in the same period of 1966. Contributing to the change was an addition of about \$55 million of wheat shipments under the foreign economic aid programme. The estimated increase in merchandise imports was 7 per cent from \$976 million to \$1,045 million.

Besides the enlargement of \$85 million in the official contributions, smaller deteriorations took place in the balances of interest, dividends and personal and institutional remittances. The principal offsets were improvements in the balances of migrants' funds, travel and freight and shipping services. In total, non-merchandise receipts gained over 25 per cent from \$288 million to \$362 million, while non-merchandise payments expanded about 30 per cent from \$406 million to \$531 million; and thus the "invisible" deficit widened \$51 million to \$169 million.

Financing of Canada's Bilateral Account with the United States

	1964	1965	1966	1966			1967	
				II Q	III Q	IV Q	I Q	II Q
millions of dollars								
<u>Transactions with the United States:(1)</u>								
Current account balance	- 1,780	- 2,075	- 2,142	- 634	- 215	- 658	- 596	- 544
Capital movements in long-term forms	+ 1,013	+ 1,105	+ 1,205	+ 250	+ 299	+ 147	+ 361	+ 239
Capital movements in short-term forms	+ 626	- 668	- 167	+ 15	- 267	+ 52	-	- 181
Totals	- 141	- 1,638	- 1,104	- 369	- 183	- 459	- 235	- 486

Financing:

Transactions with rest of world:								
Current account balance	+ 1,211	+ 807	+ 880	+ 230	+ 226	+ 219	+ 257	+ 269
Capital movements in long-term forms	- 193	- 241	- 181	- 26	- 80	- 28	- 45	+ 36
Capital movements in short-term forms	- 659	+ 1,091	- 79	+ 19	- 78	+ 217	- 23	+ 100
Sub-totals	+ 359	+ 1,657	+ 620	+ 223	+ 68	+ 408	+ 189	+ 405
Gold production available for export	+ 145	+ 138	+ 125	+ 29	+ 30	+ 32	+ 33	+ 26
Increase (-) in official Canadian holdings of gold, foreign exchange, net asset with the IMF, etc.	- 363	- 157	+ 359	+ 117	+ 85	+ 19	+ 13	+ 55
Totals	+ 141	+ 1,638	+ 1,104	+ 369	+ 183	+ 459	+ 235	+ 486

(1) Excluding gold production available for export and changes in official monetary assets, shown with financing.

Canada's current account deficit with the United States in the second quarter of 1967 (excluding gold production available for export which is conventionally attributed to the United States account) was \$544 million. Net capital movements between the two countries produced an inflow of \$58 million as an influx of \$239 million of long-term capital was in part offset by an outflow on short-term account of \$181 million. In sum these transactions with the United States gave rise to net payments by Canada of \$486 million, over twice the corresponding figure for the first quarter.

Transactions with the United Kingdom and other overseas countries led again to net receipts by Canada. At \$405 million this amount was twice the first quarter inflow. The rise in the normally favourable current account balance and the reverse of the characteristic pattern of outflows from capital movements in long-term forms to a net inflow both contributed to the increase, however the major influence was a swing of \$123 million in short-term capital movements from an outflow of \$23 million in the first quarter of 1967 to an inflow of \$100 million in the quarter under review. A large part of this reversal represented net receipts by the Canadian banking system of foreign currency from overseas customers.

The \$81 million imbalance between the net payment to the United States and the net receipt from overseas countries was financed by a reduction of \$55 million in official holdings of gold, foreign exchange and IMF balances, and by Canadian gold production of \$26 million.

The net spot holdings of foreign currency assets of the Canadian chartered banks vis-a-vis non-residents rose, on a transactions basis, by \$59 million in the quarter, while those with Canadian residents fell by \$42 million, an overall increase of \$17 million. Claims on residents of the United

States climbed \$117 million while liabilities to them edged up \$7 million. With residents of overseas countries a relatively large increase in assets of \$164 million was more than offset by an even greater rise in liabilities of \$215 million. Foreign currency claims on Canadians dropped by \$73 million while liabilities to residents fell by \$31 million. Thus the net increase of \$17 million reflected a rise in net assets of \$110 million with residents of the United States and declines of \$51 million and \$42 million with residents of overseas countries and Canada, respectively.

Capital Movements

Summary	1965	1966	1966			1967	
			II Q	III Q	IV Q	I Q	II Q
			millions of dollars				
Capital movements in long-term forms	+ 864	+ 1,024	+ 224	+ 219	+ 119	+ 316	+ 275
Capital movements in short-term forms ...	+ 423	- 246	+ 34	- 345	+ 269	- 23	- 81
Balance on goods and services	- 1,130	- 1,137	- 375	+ 41	- 407	- 306	- 249
Change in official holdings of gold, foreign exchange, and net balance with the International Monetary Fund	+ 157	- 359	- 117	- 85	- 19	- 13	- 55

The net capital inflow into Canada (apart from official monetary movements shown separately in the balance of payments statements) totalled \$194 million in the second quarter of 1967 to produce an inflow of \$487 million in the first six months of the year, down \$29 million from the comparable period in 1966. The current account deficit in the second quarter was \$249 million. The shortfall of \$55 million between the capital inflow and this deficit was financed by a reduction in official monetary assets. In the first half of 1967 the fall in these assets aggregated \$68 million compared with \$255 million in the first six months of 1966. In both these periods there were official repurchases of Government of Canada securities which totalled about \$30 million in the 1967 half year and \$70 million in the 1966 period.

The net capital inflow in long-term forms in the second quarter at \$275 million exceeded the current account deficit of \$249 million. In the first six months of 1967 there was a positive balance from these groups of transactions of \$36 million compared with a negative balance of \$85 million in the comparable period of 1966. Sales of new issues of securities are taken into the balance of payments at the time of delivery. The effect of adjusting the actual inflows to reflect the timing of security offerings is shown in the accompanying statement.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1965	+ 864	+ 1,131
1966	+ 1,024	+ 828
1965 I Q ..	+ 213	+ 294
II Q ..	+ 182	+ 153
III Q ..	+ 216	+ 331
IV Q ..	+ 253	+ 353
1966 I Q ..	+ 462	+ 301
II Q ..	+ 224	+ 260
III Q ..	+ 219	+ 133
IV Q ..	+ 119	+ 134
1967 I Q ..	+ 316	+ 362
II Q ..	+ 275	+ 461

Capital movements in short-term forms resulted in net outflows of \$81 million in the quarter and \$104 million in the first half of 1967 compared with a net outflow of \$170 million in the first six months of 1966. Transactions in foreign currencies by and through the Canadian banking system contributed significantly to these movements.

Direct Investment

In the second quarter of 1967 direct investment in foreign-controlled enterprises produced a net capital inflow of \$130 million, up slightly from the previous quarter's \$125 million. Direct investment from the United States accounted for over 85 percent of the total while about 10 percent came from overseas countries other than the United Kingdom. Mainly as the result of a special transaction involving the acquisition by United States interests of existing investment about three quarters of the total net inflow was directed towards the Canadian mining industry. The total net direct investment in manufacturing industry which had

been relatively high in recent quarters was down substantially in the quarter under review largely reflecting the repatriation from United States ownership of a major interest in a large Canadian corporation in the beverage field. Direct investment flows to finance special transactions which involve the transfer of ownership of existing assets and which are not directed towards new capital formation or normal working capital requirements occur each quarter. An increased inflow for these types of transactions slightly more than accounted for the rise in direct investment inflows between the first and second quarters of 1967.

The net outflow due to Canadian direct investment abroad at \$10 million contracted about two-thirds during the second quarter. A significant factor in this reduction was the channelling to Canada from a utility in Latin America of funds which assisted in the repatriation referred to above. Apart from this irregular movement inwards, the bulk of the funds were directed to the manufacturing sectors in overseas countries other than the United Kingdom.

Security Transactions

A net capital inflow of \$98 million during the second quarter of 1967 arose from transactions in portfolio securities between Canada and other countries, a decline of about one-third from the first quarter inflow of \$152 million.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1966			1967	
	1965	1966	II Q	III Q	IV Q	I Q	II Q
millions of dollars							
Canadian securities:							
Outstanding - Bonds	+ 55	- 103	- 25	- 50	- 15	- 10	- 22
Stocks	- 274	- 137	- 44	- 35	- 44	- 52	- 15
New issues	+ 1,240	+ 1,463	+ 359	+ 317	+ 209	+ 331	+ 322
Retirements	- 390	- 502	- 158	- 91	- 140	- 63	- 136
Foreign securities:							
Outstanding issues	- 53	- 350	- 124	- 87	- 84	- 30	- 44
New issues	- 57	- 85	- 7	- 41	- 9	- 26	- 9
Retirements	+ 25	+ 17	+ 7	+ 2	+ 4	+ 2	+ 2
Totals, all securities ..	+ 546	+ 303	+ 8	+ 15	- 79	+ 152	+ 98

Transactions in Canadian issues gave rise to a \$149 million inflow compared with \$206 million for the first quarter. Part of the decline reflected official repatriation of foreign pay issues of the Government of Canada. Net purchases of foreign securities remained approximately unchanged with a \$51 million outflow for the second quarter versus \$54 million for the first quarter.

Sales of Canadian new issues at \$322 million changed little from the \$331 million of the first quarter. Provincial government direct and guaranteed bonds and debentures continued to make up the major portion of the proceeds from new issues while new corporation bond issues rose somewhat from the low first quarter figure to \$56 million in the second quarter. At \$494 million, total offerings of new Canadian bonds and debentures to residents of the United States were the highest since the first quarter of 1963. A placement by a Canadian pipeline company to finance the construction by an affiliate of facilities in the United States accounted for a significant part of this total. During the

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Un- delivered(1)
millions of dollars			
1965	1,452	1,185	318
1966	1,162	1,358	122
1966 I Q ...	351	512	157
II Q ...	386	350	193
III Q ...	215	301	107
IV Q ...	210	195	122
1967 I Q ...	357	311	168
II Q ...	494	308	354

(1) At end of period.

second quarter transactions in outstanding Canadian securities produced a net outflow of \$37 million or almost three fifths of the first quarter purchase balance. Second quarter retirements of Canadian securities held by non-residents rose to \$136 million compared to \$63 million for the first quarter. This rise was accounted for largely by an increase of \$57 million in retirements of Government of Canada direct issues which included a special repurchase of more than \$30 million.

Although the total net outflow for the purchase of foreign securities was little changed in the first two quarters of 1967 there were changes in its composition. Net purchases of outstanding foreign securities, principally United States equities, increased by one-half to \$44 million in the second quarter of 1967 while Canadian purchases of foreign new issues contracted to \$9 million from \$26 million in the first quarter when an international institution had floated an issue in Canada

Other Capital Flows in Long-term Forms

Disbursements by the Canadian government under intergovernmental loan programmes aggregated \$2 million in the second quarter of 1967 - all under the development loan programme. Repayments of principal on earlier loans totalled \$2 million. There were no subscriptions to international institutions in the quarter.

Detail of Long-term Capital Transactions n.i.e.
Item D13

Year and quarter	Export credits(1)			Finance com- panies(2)	Other	Total
	Advances	Repay- ments	Net			
millions of dollars						
1964	- 321	+ 157	- 164	- 6	+ 116	- 54
1965	- 252	+ 65	- 187	- 18	+ 85	- 120
1966	- 256	+ 209	- 47	- 6	+ 63	+ 10
1965 I Q	- 60	+ 17	- 43	- 10	+ 70	+ 17
II Q	- 74	+ 14	- 60	- 3	+ 8	- 55
III Q	- 76	+ 21	- 55	- 3	- 1	- 59
IV Q	- 42	+ 13	- 29	- 2	+ 8	- 23
1966 I Q	- 45	+ 22	- 23	-	+ 24	+ 1
II Q	- 55	+ 72	+ 17	- 4	+ 31	+ 44
III Q	- 84	+ 49	- 35	-	+ 24	- 11
IV Q	- 72	+ 66	- 6	- 2	- 16	- 24
1967 I Q	- 36	+ 56	+ 20	(3)	+ 41	+ 61
II Q	- 47	+ 101	+ 54	(3)	+ 3	+ 57

(1) Export credits from Canada directly or indirectly at risk of the Government of Canada.

(2) Finance company borrowing not included in items D1, 3, 4, 5, 17.3 or 17.4.

(3) Included with "Other".

Transactions during the quarter arising from the financing of exports directly or indirectly at the risk of the Government of Canada led to a net inflow of \$54 million. As in the previous quarter the predominant factors were net repayments received in respect of past exports of wheat to Sino-Soviet countries.

All other transactions in long-term forms in the second quarter led to a net inflow of \$3 million. Significant net inflows were recorded for long-term borrowing by Canadian enterprises from foreign banks while transactions associated with the private financing of long-term trade credits resulted in a net outflow.

Capital Movements in Short-term Forms

An outflow of \$81 million from capital movements in short-term forms was recorded in the second quarter of 1967, more than three times greater than the \$23 million outflow of the first quarter. Geographically there were net movements to the United States and the United Kingdom which were partially offset by a net inflow from other countries.

Non-resident holdings of Canadian dollars fell by \$58 million in the period under review, exactly reversing the total net inflow of the first quarter. Net outflows of \$59 million and \$7 million reduced foreign holdings of Canadian dollar deposits and Government of Canada demand liabilities respectively. Inflows from net sales to non-residents of Canadian treasury bills declined to \$8 million in the second quarter from \$15 million in the first quarter. During the second quarter Canadian treasury bill holdings of residents of other foreign countries showed a \$14 million increase, while holdings of United Kingdom residents declined. There was no net change in United States holdings of these instruments.

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1965	1966	1966			1967	
			II Q	III Q	IV Q	I Q	II Q
			millions of dollars				
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	+ 138	- 601	- 16	- 317	- 97	+ 317	+ 25
17.2 Canadian commercial paper, etc.	+ 10	-	- 5	+ 12	+ 5	- 6	+ 4
17.3 Canadian finance company paper	- 162	- 4	- 5	- 55	+ 29	+ 7	- 26
17.4 Canadian finance company obligations, n.i.e.	+ 209	+ 154	- 11	+ 44	+ 87	- 19	+ 9
17.5 All other transactions(1)	+ 183	+ 205	+ 81	- 57	+ 234	- 380	- 35
Total (Item D 17)	+ 378	- 246	+ 44	- 373	+ 258	- 81	- 23

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

All other capital movements, as shown in the accompanying statement, led to a net outflow of \$23 million. As in the first quarter, Canadian holdings of foreign currency bank balances and other short-term funds abroad (excluding official reserves) declined resulting in net inflow of \$25 million. A reduction of Canadian holdings of swapped and other United States dollar deposits again contributed to this movement. In contrast to the previous quarter, however, the Canadian chartered banks increased their net assets in the United States while their net liabilities to overseas countries rose. The effect of these movements was a net inflow from overseas countries and a net outflow to the United States.

International transactions in Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) led in the second quarter to a \$26 million net outflow. This was partially offset by a \$9 million net inflow as a result of transactions in other

finance company short-term obligations (which include borrowings from foreign banks and advances from parent companies). These second quarter flows compare with a \$7 million net inflow and a \$19 million net outflow respectively during the first quarter. In addition there were, of course, other finance company transactions not identified separately which have been included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. Taken in total, non-residents decreased their holdings of these companies' securities in the second quarter by about \$15 million, or roughly the same as the corresponding first quarter figure. The net capital outflow due to international transactions in Canadian commercial paper (including bankers' acceptances) moved from \$10 million in the first quarter to \$3 million during the second quarter. At the same time there were \$7 million of net sales of other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments).

All other transactions led to a net capital outflow of \$35 million. On balance short-term loans from non-residents increased in the quarter while changes in accounts receivable and payable produced a significant net outflow.

Official Holdings of Gold and Foreign Exchange and Canada's Balance with the IMF

There was a further fall in official holdings of gold and foreign exchange in the quarter under review which was accompanied by a reduction in Canada's balance with the International Monetary Fund so that Canada's net international monetary assets fell on balance by \$55 million - the sixth successive quarterly decline.

The decrease in official holdings of gold and United States dollars during the quarter amounted to \$37 million expressed in Canadian funds, while corresponding holdings of sterling, which are confined to working balances, were little changed. Official holdings of gold and United States dollars expressed in terms of United States funds totalled \$2,169 million at June 30, 1967, a decline of \$34 million from the beginning of the quarter.

A significant transaction in the second quarter affecting Canada's balance with the IMF was a partial repayment amounting to \$15.0 million expressed in United States funds of the Canadian dollar loans made by Canada to the IMF under the General Arrangements to Borrow. At the end of the quarter Canada's so-called "gold tranche position" with the IMF together with loans made under the GAB totalled \$452.4 million, expressed in United States funds, having decreased by \$16.1 million in the three month period.

United States Dollar in Canada					Exchange Holdings and IMF Balance		
Period	High	Low	Close	Noon average	End of period	Official holdings of gold and United States dollars	Net balance with International Monetary Fund
Canadian cents					millions of United States dollars		
1965 IV Q ..	107.78	107.38	107.50	107.53	1965 IV Q	2,665	353
1966 I Q ..	107.81	107.34	107.72	107.58	1966 I Q	2,510	379
II Q ..	107.88	107.53	107.53	107.67	II Q	2,342	438
III Q ..	107.78	107.34	107.78	107.54	III Q	2,244	457
IV Q ..	108.41	107.78	108.38	108.15	IV Q	2,236	448
1967 I Q ..	108.34	107.75	108.25	108.07	1967 I Q	2,203	468
II Q ..	108.34	107.88	107.97	108.16	II Q	2,169	452
April ..	108.34	108.16	108.22	108.24	April	2,188	465
May	108.28	108.12	108.16	108.21	May	2,195	448
June ...	108.16	107.88	107.97	108.04	June	2,169	452

Note: The table of exchange holdings does not include holdings of the Government of Canada at December 31, 1966 of \$144 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold		
								Total liabi- lities	
millions of United States dollars									
1947-1964	550.0	15.0	565.0	427.5	54.3	- 148.3	34.0	367.5	197.5
1965		35.0	600.0	35.0		- 183.4	27.5	246.6	353.4
1966	190.0		790.0	142.5		- 47.6		341.5	448.5
1966 I Q			600.0			- 25.5		221.1	378.9
II Q	190.0		790.0	142.5		- 11.9		351.7	438.3
III Q			790.0			- 18.7		333.0	457.0
IV Q			790.0			8.5		341.5	448.5
1967 I Q			790.0			- 20.0		321.5	468.5
II Q		- 15.0	775.0	- 15.0		16.1		322.6	452.4

(1) This is a cumulative measure of the net resources provided by Canada to the IMF. The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents the so-called "gold tranche position" plus borrowing under the General Arrangements to Borrow (GAB). This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

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The Bureau has recently published two new reports which will be of interest to users of this publication.

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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1967 are preliminary and data for 1966 are subject to revision

No.		1965			1966	
		II	III	IV	I	II
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,191	2,263	2,465	2,223	2,602
3	Gold production available for export	34	35	34	34	29
4	Travel expenditures	158	415	111	74	184
5	Interest and dividends	76	73	103	71	81
6	Freight and shipping	167	180	182	156	185
7	Inheritances and immigrants' funds	57	65	52	44	71
11	All other current receipts	156	162	171	171	172
12	Total current receipts	2,839	3,193	3,118	2,773	3,324
B	Current payments:					
1	Merchandise imports (adjusted)	2,218	2,101	2,442	2,213	2,651
4	Travel expenditures	219	276	144	191	240
5	Interest and dividends	244	225	357	247	250
6	Freight and shipping	194	208	210	169	212
7	Inheritances and emigrants' funds	49	61	58	36	44
9	Official contributions	21	31	18	33	14
11	All other current payments	258	257	268	280	288
12	Total current payments	3,203	3,159	3,497	3,169	3,699
C	Current account balance:					
1	Merchandise trade	- 27	+ 162	+ 23	+ 10	- 49
2	Other transactions, excluding B 9	- 316	- 97	- 384	- 373	- 312
3	Official contributions	- 21	- 31	- 18	- 33	- 14
4	Total	- 364	+ 34	- 379	- 396	- 375
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 133	+ 111	+ 149	+ 128	+ 212
2	Direct investment abroad	+ 33	- 55	- 46	- 22	- 39
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	+ 13	+ 36	+ 4	- 13	- 25
3.2	Trade in outstanding common and preference stocks	- 85	- 28	- 68	- 14	- 44
4	New issues	+ 336	+ 288	+ 311	+ 578	+ 359
5	Retirements	- 182	- 58	- 81	- 113	- 158
6,7,8	Foreign securities	- 13	- 20	- 13	- 79	- 124
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	-	-	- 14	- 6	- 3
10	Repayments to Canada	+ 2	+ 1	+ 2	+ 2	+ 2
11	Columbia River Treaty, net	-	-	+ 32	-	-
13	Long-term capital transactions n.i.e.	- 55	- 59	- 23	+ 1	+ 44
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	- 37	- 19	+ 49	- 15	- 8
14.2	Government of Canada demand liabilities	- 4	- 5	+ 12	- 6	- 2
14.3	Canadian treasury bills	- 10	- 2	- 3	- 8	-
17	Other capital movements	+ 234	+ 2	+ 70	- 175	+ 44
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 182	+ 216	+ 253	+ 462	+ 224
2	Short-term forms (D14 to D17)	+ 183	- 24	+ 128	- 204	+ 34
3	Total	+ 365	+ 192	+ 381	+ 258	+ 258
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	- 92	+ 144	+ 55	- 166	- 181
2	Change in net International Monetary Fund position	+ 93	+ 82	- 53	+ 28	+ 64
3	Other special international financial assistance	-	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1967 are preliminary and data for 1966 are subject to revision

1966		1967		Annual totals			Four quarters ended	No.
III	IV	I	II	1964	1965	1966	June 30, 1967	
millions of dollars								
2,695	2,806	2,609	3,020	8,238	8,745	10,326	11,130	A
30	32	33	26	145	138	125	121	1
455	127	81	351	662	747	840	1,014	3
55	116	62	54	332	322	323	287	4
209	206	169	202	644	668	756	786	5
86	67	60	96	169	216	268	309	6
180	180	197	181	557	645	703	738	7
3,710	3,534	3,211	3,930	10,747	11,481	13,341	14,385	11
								12
2,472	2,766	2,507	3,022	7,537	8,627	10,102	10,767	B
314	158	210	231	712	796	903	913	1
230	408	237	261	1,010	1,086	1,135	1,136	4
225	219	176	220	679	761	825	840	5
60	58	42	46	201	211	198	206	6
82	33	52	80	69	93	162	247	7
286	299	293	319	963	1,037	1,153	1,197	9
3,669	3,941	3,517	4,179	11,171	12,611	14,478	15,306	11
								12
+ 223	+ 40	+ 102	- 2	+ 701	+ 118	+ 224	+ 363	C
- 100	- 414	- 356	- 167	- 1,056	- 1,155	- 1,199	- 1,037	1
- 82	- 33	- 52	- 80	- 69	- 93	- 162	- 247	2
+ 41	- 407	- 306	- 249	- 424	- 1,130	- 1,137	- 921	3
								4
+ 147	+ 223	+ 125	+ 130	+ 270	+ 535	+ 710	+ 625	D
+ 76	- 35	- 30	- 10	- 95	- 125	- 20	+ 1	1
- 50	- 15	- 10	- 22	+ 77	+ 55	- 103	- 97	2
- 35	- 44	- 52	- 15	- 98	- 274	- 137	- 146	3.1
+ 317	+ 209	+ 331	+ 322	+ 1,100	+ 1,240	+ 1,463	+ 1,179	3.2
- 91	- 140	- 63	- 136	- 382	- 390	- 502	- 430	4
- 126	- 89	- 54	- 51	- 52	- 85	- 418	- 320	5
- 9	- 17	- 3	- 2	- 10	- 14	- 35	- 31	6,7,8
+ 1	+ 19	+ 11	+ 2	+ 10	+ 10	+ 24	+ 33	9
-	+ 32	-	-	+ 54	+ 32	+ 32	+ 32	10
- 11	- 24	+ 61	+ 57	- 54	- 120	+ 10	+ 83	11
+ 21	+ 12	+ 48	- 59	+ 28	+ 31	+ 10	+ 22	13
+ 5	+ 8	- 5	- 7	-	+ 2	+ 5	+ 1	14.1
+ 2	- 9	+ 15	+ 8	- 16	+ 12	- 15	+ 16	14.2
- 373	+ 258	- 81	- 23	- 45	+ 378	- 246	- 219	14.3
								17
+ 219	+ 119	+ 316	+ 275	+ 820	+ 864	+ 1,024	+ 929	E
- 345	+ 269	- 23	- 81	- 33	+ 423	- 246	- 180	1
- 126	+ 388	+ 293	+ 194	+ 787	+ 1,287	+ 778	+ 749	2
								3
- 105	- 10	- 35	- 37	+ 86	- 11	- 462	- 187	H = C+E
+ 20	- 9	+ 22	- 18	+ 277	+ 168	+ 103	+ 15	1
-	-	-	-	-	-	-	-	2
								3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

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QUARTERLY



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER 1967

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There were offsetting changes in major components of Canada's international receipts and payments in the third quarter. Characterized by seasonal strength, the surplus on transactions in goods and services in this period was estimated at \$201 million, as compared with roughly \$30 to \$40 million in the preceding two years and \$208 million in the third quarter of 1964. Against a substantial contribution of the Expo-generated travel receipts to the amelioration of the balance on non-merchandise transactions was a less favourable trade balance due, among other commodity changes, to a decline in export shipments.

Capital inflows in long-term forms rose in the third quarter to about the magnitude of the first quarter. The movement of short-term capital, which has been outward since the beginning of 1967, increased sharply in the third quarter to exceed by over \$100 million the recent high level in the same quarter of 1966. Net capital movements were outward to the amount of \$145 million, as contrasted with an inflow of \$206 million in the preceeding quarter and an outflow of \$126 million in the third quarter of 1966. Changes in bank balances abroad and in the non-resident holdings of Canadian finance company assets and obligations were mainly responsible for the development. Following reductions in six consecutive quarters, Canada's official monetary assets rose \$56 million.

Summary Statement

	1965	1966	1966		1967		
			III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
Merchandise trade balance	+ 118	+ 224	+ 223	+ 40	+ 96	+ 4	+ 85
Balance of payments on non-merchandise transactions	- 1,248	- 1,361	- 182	- 447	- 413	- 265	+ 116
Current account balance	- 1,130	- 1,137	+ 41	- 407	- 317	- 261	+ 201
Capital movements(1)	+ 1,287	+ 778	- 126	+ 388	+ 304	+ 206	- 145
Long-term forms	+ 864	+ 1,024	+ 219	+ 119	+ 313	+ 258	+ 309
Short-term forms	+ 423	- 246	- 345	+ 269	- 9	- 52	- 454
Change in official holdings of gold, foreign exchange, and net balance with International Monetary Fund	+ 157	- 359	- 85	- 19	- 13	- 55	+ 56
Excluding change in official exchange holdings.							

Current Transactions in the Nine Months

Canada's deficit on current international transactions at \$377 million for the first 9 months of 1967 stood at about half of the level of \$730 million for the same period of 1966. This favourable development is indicated in spite of a widening tendency in the current account deficit, after allowance for seasonal variation, in the most recent 6-month period.

In the comparison of the first 3 quarters of 1966 and 1967, the narrowing in the current deficit was almost completely derived from a reduction of \$352 million in net payments on non-merchandise transactions. More than the entire amount of this change was attributable to a swing of \$415 million from a small deficit on travel account in the first 9 months of 1966 to a substantial surplus in the same period of 1967, which resulted from Expo 67 and other centennial celebrations. In view of the importance of travel transactions with the United States, over 95 per cent of the contraction in Canada's current account deficit occurred with that country.

Merchandise exports advanced nearly 11 per cent from \$7,520 million to \$8,335 million, and merchandise imports increased 11 per cent from \$7,336 million to \$8,150 million. In consequence the

Summary of Current Transactions with the United States, United Kingdom and Other Countries
1966 and 1967, and Changes Between the Periods

	1966	1967	Change	1966	1967	Change
	millions of dollars					
<u>Third quarter</u>	<u>All Countries</u>			<u>United States</u>		
Merchandise exports (adjusted)	2,695	2,708	+ 13	1,542	1,753	+ 211
Merchandise imports (adjusted)	2,472	2,623	+ 151	1,685	1,873	+ 188
Balance on merchandise trade	+ 223	+ 85	- 138	- 143	- 120	+ 23
Other current receipts	1,015	1,256	+ 241	732	941	+ 209
Other current payments	1,197	1,140	- 57	774	788	+ 14
Balance on non-merchandise transactions ...	- 182	+ 116	+ 298	- 42	+ 153	+ 195
Total receipts	3,710	3,964	+ 254	2,274	2,694	+ 420
Total payments	3,669	3,763	+ 94	2,459	2,661	+ 202
Current account balance	+ 41	+ 201	+ 160	- 185	+ 33	+ 218
<u>January to September</u>						
Merchandise exports (adjusted)	7,520	8,335	+ 815	4,496	5,279	+ 783
Merchandise imports (adjusted)	7,336	8,150	+ 814	5,258	5,984	+ 726
Balance on merchandise trade	+ 184	+ 185	+ 1	- 762	- 705	+ 57
Other current receipts	2,287	2,771	+ 484	1,547	1,909	+ 362
Other current payments	3,201	3,333	+ 132	2,176	2,254	+ 78
Balance on non-merchandise transactions ...	- 914	- 562	+ 352	- 629	- 345	+ 284
Total receipts	9,807	11,106	+ 1,299	6,043	7,188	+ 1,145
Total payments	10,537	11,483	+ 946	7,434	8,238	+ 804
Current account balance	- 730	- 377	+ 353	- 1,391	- 1,050	+ 341
<u>Third quarter</u>	<u>United Kingdom</u>			<u>Other Countries</u>		
Merchandise exports (adjusted)	303	287	- 16	850	668	- 182
Merchandise imports (adjusted)	180	161	- 19	607	589	- 18
Balance on merchandise trade	+ 123	+ 126	+ 3	+ 243	+ 79	- 164
Other current receipts	106	104	- 2	177	211	+ 34
Other current payments	129	133	+ 4	294	219	- 75
Balance on non-merchandise transactions ...	- 23	- 29	- 6	- 117	- 8	+ 109
Total receipts	409	391	- 18	1,027	879	- 148
Total payments	309	294	- 15	901	808	- 93
Current account balance	+ 100	+ 97	- 3	+ 126	+ 71	- 55
<u>January to September</u>						
Merchandise exports (adjusted)	859	888	+ 29	2,165	2,168	+ 3
Merchandise imports (adjusted)	495	509	+ 14	1,583	1,657	+ 74
Balance on merchandise trade	+ 364	+ 379	+ 15	+ 582	+ 511	- 71
Other current receipts	275	284	+ 9	465	578	+ 113
Other current payments	325	324	- 1	700	755	+ 55
Balance on non-merchandise transactions ...	- 50	- 40	+ 10	- 235	- 177	+ 58
Total receipts	1,134	1,172	+ 38	2,630	2,746	+ 116
Total payments	820	833	+ 13	2,283	2,412	+ 129
Current account balance	+ 314	+ 339	+ 25	+ 347	+ 334	- 13

Merchandise trade surplus of \$185 million in the 9 months of 1967 was practically unchanged from the same period one year before. The usual adjustment for the timing of wheat shipments was primarily instrumental in reducing the Trade of Canada export total for the first 3 quarters of 1967 by nearly \$5 million, as compared with a minor deduction of \$3 million for the corresponding period of 1966. The recorded import totals on the other hand were adjusted upwards by about \$30 million and \$33 million respectively in 1967 and 1966, mainly to reflect progress payments offset by deliveries of aircraft.

Well over 70 per cent of the \$815 million advance in merchandise exports was attributed to automotive products. Exports of aircraft and parts rose about \$70 million and of crude petroleum more than \$50 million between the 9 months of 1966 and 1967. Copper shipments abroad increased about \$40 million; and other commodities recording smaller but still important gains included canned fish, barley, tobacco, sulphur, aluminum, wood pulp, fertilizers, communication and office equipment and firearms. On the other hand, the value of wheat clearances overseas dropped about \$175 million; and exports of live animals declined more than \$25 million. Smaller losses occurred in shipments of meat, faxseed, uranium and asbestos.

More than 60 per cent of the increase of \$814 million in merchandise imports was attributable to automotive products. On the basis of incomplete detailed information, higher imports in the 9 months of 1967 were indicated for crude petroleum, fuel oil, machinery, computers, communication and measuring equipment, machine tools, hardware, aircraft engines and parts, photographic goods, personal and household products. Imports of metallic materials declined, notably nickel from an unusually high level in 1966. Small decreases were recorded in imports of a number of other commodities.

Average export prices, which increased 4 per cent between January and December 1966, were about 1 per cent above the year-before level in the July - September quarter of 1967. Average import prices were only fractionally higher.

Reduced Deficit on Non-merchandise Transactions

The narrowing by 39 per cent in the non-merchandise deficit from \$914 million to \$562 million in the 9 months of 1967 was due to travel transactions, augmented by smaller favourable changes in the balances for freight, shipping and migrants' funds. On the other hand, official contributions and net payments of interest and dividends increased, while the value of gold production available for export declined. Canada's travel receipts rose about 55 per cent from \$713 million in the January - September period of 1966 to \$1,108 million in the 9 months of 1967. As Canadians remained in their country to savour the attractions of the Centennial Year, travel expenditures abroad declined \$20 million to \$725 million in the three quarters of 1967. As indicated before, the international travel balance changed by \$415 million from a deficit of \$32 million to a surplus of \$383 million. The receipts from United States visitors rose roughly 58 per cent from \$623 million to \$983 million, while travel expenditures by Canadians in the United States recorded a \$13 million reduction to \$512 million. The travel surplus expanded almost five-fold from \$98 million to \$471 million. The overseas travel deficit contracted by about a third from \$130 million to \$88 million, as the receipts increased \$35 million to \$125 million, while the payments declined \$7 million to \$213 million in the January - September period of 1967.

Balances on Principal Non-merchandise Transactions

	First nine months			Change in 1967
	1965	1966	1967	
	millions of dollars			
Gold production available for export	+ 104	+ 93	+ 84	- 9
Travel expenditures	- 16	- 32	+ 383	+ 415
Interest and dividends	- 510	- 520	- 596	- 76
Freight and shipping	- 65	- 56	- 41	+ 15
Inheritances and migrants' funds	+ 11	+ 61	+ 112	+ 51
Official contributions	- 75	- 129	- 148	- 19
All other current transactions	- 295	- 331	- 356	- 25
Balance on non-merchandise transactions	- 846	- 914	- 562	+ 352

With a larger gain in freight and shipping receipts from \$550 million to \$591 million than in the payments from \$606 million to \$632 million, the deficit on this account narrowed \$15 million to \$41 million. Primarily as a result of a gain in excess of 20 per cent to some 174,600 in the number of immigrants with higher per capita funds, the surplus on account of inheritances and migrants' funds expanded \$51 million to \$112 million.

Travel Expenditures

	First nine months			Change in 1967
	1965	1966	1967	
millions of dollars				
United States:				
Receipts ...	561	623	983	+ 360
Payments ...	457	525	512	- 13
Balance	+ 104	+ 98	+ 471	+ 373
Overseas:				
Receipts ...	75	90	125	+ 35
Payments ...	195	220	213	- 7
Balance	- 120	- 130	- 88	+ 42
All countries:				
Receipts ...	636	713	1,108	395
Payments ...	652	745	725	- 20
Balance	- 16	- 32	+ 383	+ 415

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1965	1,086	383	703
1966	1,135	428	707
1966 I Q ...	247	93	154
II Q ...	250	120	130
III Q ...	230	93	137
IV Q ...	408	122	286
1967 I Q ...	242	105	137
II Q ...	269	130	139
III Q ...	263	105	158

Net interest and dividend payments in the first 9 months of 1967 rose by \$76 million or almost 15 per cent to \$596 million, compared with \$520 million in the corresponding period of 1966. Most of this increase was attributable to a \$47 million expansion of interest and dividend payments to \$774 million. Large United States purchases of new provincial bonds in the first quarter of 1967 and of new provincial and corporate issues in 1966 were the main factors contributing to a \$34 million rise in interest payments, while a sharp increase during the third quarter in the profits of unincorporated branches of foreign corporations more than accounted for a \$13 million increase in dividend payments. Receipts of interest and dividends at \$178 million were \$29 million lower than the 1966 level. Interest receipts were moderately lower at \$58 million. Receipts of dividends at \$120 million were substantially reduced, reflecting mainly a sharp decrease in the second quarter.

As the total of official contributions for the second and third quarters together were equal in 1966 and 1967, the \$19 million increase in these expenditures occurred in the first quarter. The 9-month total of Canada's grant aid was estimated at \$148 million in 1967, as compared with \$129 million in the preceding year. The deficit on miscellaneous current transactions widened \$25 million, or nearly 8 per cent, to \$356 million. Contributing to this increase were personal and institutional remittances (arising from the Middle East war in the mid-year) and business service payments, which were in part offset by the expenditures for preparation and operation by foreign participants at Expo 67. The value of gold production available for export declined from \$93 million to \$84 million in the 9 months of 1967.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

		Goods			Services			Total receipts	Total pay-ments	Current account balance	
		Exports	Imports	Balance	Receipts	Payments	Balance				
millions of dollars											
1966	I Q ...	2,492	2,394	+ 98	731	1,039	- 308	3,223	3,433	- 210	
	II Q ...	2,518	2,486	+ 32	754	1,061	- 307	3,272	3,547	- 275	
	III Q ...	2,633	2,586	+ 47	757	1,135	- 378	3,390	3,721	- 331	
	IV Q ...	2,683	2,636	+ 47	773	1,141	- 368	3,456	3,777	- 321	
	Year	10,326	10,102	+ 224	3,015	4,376	- 1,361	13,341	14,478	- 1,137	
1967	I Q ...	2,899	2,717	+ 182	805	1,111	- 306	3,704	3,828	- 124	
	II Q ...	2,916	2,830	+ 86	939	1,193	- 254	3,855	4,023	- 168	
	III Q ...	2,655	2,761	- 106	968	1,087	- 119	3,623	3,848	- 225	

Current Transactions in the Third Quarter (Seasonally adjusted)

Canada's current deficit, after adjustment for seasonal variations, increased successively by roughly one-third in the second and third quarters of 1967. The net payments abroad for goods and services for these two quarters together however were more than 10 per cent lower than the total for the preceding six months. The widening of the current deficit in 1967 originated from a deterioration in the merchandise trade balance, which was offset only in part by improvements in the non-merchandise deficit. After seasonal adjustment, both merchandise exports and imports increased from the first to the second quarter, but with imports rising more strongly. Merchandise exports declined more sharply in the following quarter than imports. Reduced clearances of wheat for overseas markets constituted one of the causes for the fall. In consequence merchandise exports, seasonally adjusted, were more than 8 per cent lower in the third quarter than in the January - March quarter, while merchandise imports were slightly higher. A surplus position on merchandise trade narrowed from \$182 million, seasonally adjusted at quarterly rates, in the first quarter, to \$86 million in the second, and changed into a deficit of \$106 million in the third quarter. Over the same period, net service payments contracted from \$306 million to \$254 million and to \$119 million in the July - September quarter. In this quarter non-merchandise payments were slightly lower than in the first quarter on account of declines in travel expenditures and miscellaneous transactions, notably official contributions, offset in part by a rise in payments of interest and dividends. Non-merchandise receipts in the third quarter were 20 per cent above the level of the first quarter. This gain was attributable to the rise of about 80 per cent in travel receipts, augmented by smaller increases in migrants' funds and interest and dividends. Reductions in the value of gold production available for export and receipts from miscellaneous current transactions were partial offsets.

Principal Non-merchandise Transactions
(Seasonally adjusted at quarterly rates)

	1966					1967		
	I Q	II Q	III Q	IV Q	Year	I Q	II Q	III Q
	millions of dollars							
<u>Receipts</u>								
Gold production available for export	33	30	30	32	125	33	27	25
Travel expenditures	205	214	210	211	840	231	369	414
Interest and dividends	85	85	70	83	323	73	57	78
Freight and shipping	180	184	195	197	756	196	212	193
Inheritances and migrants' funds	58	67	71	72	268	77	89	88
All other transactions	170	174	181	178	703	195	185	170
Totals	731	754	757	773	3,015	805	939	968
<u>Payments</u>								
Gold production available for export	-	-	-	-	-	-	-	-
Travel expenditures	224	221	230	228	903	242	215	209
Interest and dividends	263	277	284	311	1,135	264	296	319
Freight and shipping	204	205	208	208	825	212	223	208
Inheritances and migrants' funds	46	48	52	52	198	54	51	52
All other transactions including (official contributions)	302	310	361	342	1,315	339	408	299
Totals	1,039	1,061	1,135	1,141	4,376	1,111	1,193	1,087
<u>Balance</u>								
Gold production available for export	+ 33	+ 30	+ 30	+ 32	+ 125	+ 33	+ 27	+ 25
Travel expenditures	- 19	- 7	- 20	- 17	- 63	- 11	+ 154	+ 205
Interest and dividends	- 178	- 192	- 214	- 228	- 812	- 191	- 239	- 241
Freight and shipping	- 24	- 21	- 13	- 11	- 69	- 16	- 11	- 15
Inheritances and migrants' funds	+ 12	+ 19	+ 19	+ 20	+ 70	+ 23	+ 38	+ 36
All other transactions including (official contributions)	- 132	- 136	- 180	- 164	- 612	- 144	- 223	- 129
Totals	- 308	- 307	- 378	- 368	- 1,361	- 306	- 254	- 119

It must be appreciated, however, that the two-quarter totals of the non-merchandise deficit have been fairly stable for two years prior to the April - September period, after leaving out from this comparison travel expenditures (on account of the non-recurring Expo bulge in the receipts) as well as official contributions for the irregular timing of wheat shipments. The non-merchandise deficit based on the remaining items widened more than 10 per cent in the most recent six-month period due to the rise of net payments of interest and dividends. Extraordinary swings in the international travel receipts in the Centennial Year posed a problem of adjustment for seasonal variations. The irregular portion was estimated and combined with the remainder following its adjustment.

Transactions by Areas

In transactions with the United States, total receipts for goods and services expanded 19 per cent from \$6,043 million in the first 9 months of 1966 to \$7,188 million in the same period of 1967. Total payments in the meantime rose 11 per cent from \$7,434 million to \$8,238 million. The current account deficit accordingly contracted \$341 million, or 25 per cent, from \$1,391 million to \$1,050 million. Only a sixth of this improvement was attributable to merchandise trade. Merchandise exports gained more than 17 per cent from \$4,496 million to \$5,279 million, as merchandise imports increased nearly 14 per cent from \$5,258 million to \$5,984 million. The import balance narrowed from \$762 million to \$705 million in the first 3 quarters of 1967. References made previously to the trade in automotive products apply directly to the increases in both exports and imports from the United States. In addition, increased exports to this country covered commodities such as natural gas, nickel, agricultural combines, and data processing machines, while purchases from the United States of aluminum products, excavating equipment, machine tools, air-conditioning and refrigerating equipment were higher.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
millions of dollars					
United States:					
1965	- 595	- 532	- 175	- 635 - 1,937
1966	- 601	- 605	- 185	- 626 - 2,017
1967	- 574	- 509	+ 33	
United Kingdom:					
1965	+ 96	+ 141	+ 138	+ 130 + 505
1966	+ 103	+ 111	+ 100	+ 107 + 421
1967	+ 130	+ 112	+ 97	
Other countries:					
1965	+ 78	+ 27	+ 71	+ 126 + 302
1966	+ 102	+ 119	+ 126	+ 112 + 459
1967	+ 127	+ 136	+ 71	

Five sixths of the improvement in the current account balance originated from non-merchandise transactions, the net payments having declined \$284 million from \$629 million to \$345 million. Travel transactions alone accounted for well over the whole amount of this change. As mentioned before, a sharp rise in travel receipts from \$623 million to \$983 million, combined with a small decline in Canadian travel expenditures in the United States from \$525 million to \$512 million, had the effect of multiplying the travel surplus from \$98 million to \$471 million. The principal partial offset was provided by a fairly large increase in payments together with a small decline in receipts of interest and dividends.

If gold production available for export which is conventionally attributed to the United States account is excluded, Canada's current account surplus with the United States in the third quarter of 1967 was \$8 million. Net capital movements between the two countries produced an outflow of \$230 million as an influx of \$333 million of long-term capital was more than offset by an outflow on short-term account of \$563 million. In sum these transactions with the United States gave rise to net payments by Canada of \$222 million in the third quarter of 1967 and \$934 million in the first 9 months of the year.

The current account surplus with the United Kingdom widened 8 per cent from \$314 million to \$339 million between the first 3 quarters of 1966 and 1967. This was the outcome of a rise of approximately 3 per cent in the receipts for goods and services from \$1,134 million to \$1,172 million, offset in part by a smaller increase of \$13 million to \$833 million in total payments. The increase in the current account balance was distributed between merchandise trade and service transactions. Merchandise exports totalled \$888 million in the first three quarters of 1967, up about 3 per cent over \$859 million for the same period of 1966, while merchandise imports increased nearly 3 per cent from \$495 million to \$509 million. Larger shipments of wheat, barley, tobacco and canned fish were mainly responsible for the higher export total in 1967. The merchandise trade surplus widened \$15 million to \$379 million. Non-merchandise receipts rose \$9 million to \$284 million, while these payments declined \$1 million to \$324 million. Nearly all the items contributed to the \$10 million decline in the non-merchandise deficit to \$40 million, with the exception of the travel account. While the expenditures by Canadian travellers in the United Kingdom increased slightly in the 9 months of 1967, the receipts from British visitors to Canada declined. This development probably ensued from the curtailment of overseas travel allowances by the United Kingdom authorities in late 1966.

Financing of Canada's Bilateral Account with the United States

	1964	1965	1966	1966		1967		
				III Q	IV Q	I Q	II Q	III Q
	millions of dollars							
<u>Transactions with the United States:(1)</u>								
Current account balance	- 1,780	- 2,075	- 2,142	- 215	- 658	- 607	- 535	+ 8
Capital movements in long-term								
forms	+ 1,013	+ 1,105	+ 1,205	+ 299	+ 147	+ 359	+ 233	+ 333
Capital movements in short-term								
forms	+ 626	- 668	- 167	- 267	+ 52	+ 9	- 171	- 563
Totals	- 141	- 1,638	- 1,104	- 183	- 459	- 239	- 473	- 222
<u>Financing:</u>								
<u>Transactions with rest of world:</u>								
Current account balance	+ 1,211	+ 807	+ 880	+ 226	+ 219	+ 257	+ 248	+ 168
Capital movements in long-term								
forms	- 193	- 241	- 181	- 80	- 28	- 46	+ 25	- 24
Capital movements in short-term								
forms	- 659	+ 1,091	- 79	- 78	+ 217	- 18	+ 119	+ 109
Sub-totals	+ 359	+ 1,657	+ 620	+ 68	+ 408	+ 193	+ 392	+ 253
Gold production available for								
export	+ 145	+ 138	+ 125	+ 30	+ 32	+ 33	+ 26	+ 25
Increase (-) in official Canadian								
holdings of gold, foreign								
exchange, net asset with the IMF,								
etc.	- 363	- 157	+ 359	+ 85	+ 19	+ 13	+ 55	- 56
Totals	+ 141	+ 1,638	+ 1,104	+ 183	+ 459	+ 239	+ 473	+ 222
Excluding gold production available for export and changes in official monetary assets, shown with financing.								

A small decline of \$13 million occurred in Canada's current surplus with other countries from \$71 million to \$334 million. This change resulted from a decline of \$71 million to \$511 million in export surplus, which was offset in part by a \$58 million contraction from \$235 million to \$177 million in the non-merchandise deficit.

Canada's current account surplus widened appreciably with the rest of the sterling area, in the months of 1967, but contracted with the remaining countries other than those in the OECD group in Europe. With this latter group, the current account deficit appeared to have changed but slightly, as a result of a reduction in the export surplus being counterbalanced by a contraction in the "invisible" deficit. The improvement in the balance with the rest of the sterling area was derived largely from expanded merchandise exports to countries such as Australia (e.g. newsprint and automotive parts), Republic of South Africa (e.g. wheat) and Jamaica. Enlarged exports to India and Pakistan included substantial shipments of wheat donations particularly in the second quarter. The decline in the current account surplus with the remaining countries originated from merchandise trade as the surplus on non-merchandise transactions rose slightly. Wheat deliveries to the U.S.S.R. dropped sharply and less drastically to Mainland China. A rise of about 50 per cent in the value of exports to Japan in the 9 months of 1967 provided an important offset.

Total current and capital account transactions with the United Kingdom and other overseas countries led again to net receipts by Canada, which at \$253 million in the third quarter brought the total for the first three quarters of the year to \$838 million. The customarily favourable current account balance was again recorded in the third quarter but at \$168 million was down substantially from the levels of the first two quarters. A net inflow of \$109 million also arose from short-term capital movements largely reflecting net receipts by the Canadian banking system of foreign currency from overseas customers. Capital movements in long-term forms reverting to the more usual pattern showed a small outflow of \$24 million.

The \$31 million difference between the net receipts from overseas countries and the smaller total net payment to the United States together with the gold production available for export of \$25 million are both reflected in the \$56 million increase in official holdings of gold, foreign exchange and IMF balances.

Capital Movements

Summary	1965	1966	1966		1967		
			III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
Capital movements in long-term forms	+ 864	+ 1,024	+ 219	+ 119	+ 313	+ 258	+ 309
Capital movements in short-term forms ...	+ 423	- 246	- 345	+ 269	- 9	- 52	- 454
Balance on goods and services	- 1,130	- 1,137	+ 41	- 407	- 317	- 261	+ 201
Change in official holdings of gold, foreign exchange, and net balance with the International Monetary Fund	+ 157	- 359	- 85	- 19	- 13	- 55	+ 56

Capital Movements

Following three successive quarterly net capital inflows into Canada (apart from official monetary movements shown separately in the balance of payments statements) a not unusual net outflow of \$145 million was recorded in the third quarter of 1967. The total net capital inflow for the first nine months of the year was therefore reduced to \$365 million. In 1966 there was a net outflow of \$126 million in the third quarter and a net inflow of \$390 million in the first three quarters of the year. The current account surplus in the third quarter was \$201 million, which after taking into account the capital account outflow led to an increase in official monetary assets of \$56 million. In the first nine months of 1967 these assets fell on balance by \$12 million a considerable reduction from the decline of \$340 million recorded in the like 1966 period. In both these periods there were official transactions associated with the level of these assets which involved purchases of securities totalling about \$30 million in 1967 and \$165 million in 1966.

Sales of new issues of Canadian securities again accounted for a considerable proportion of the long-term capital inflow. These sales are taken into the balance of payments at the time of delivery. Offerings for later delivery have been relatively high in recent quarters. The effect of adjusting the actual inflows to reflect the timing of security offerings is shown in the accompanying statement.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1965	+ 864	+ 1,131
1966	+ 1,024	+ 828
1966 I Q ..	+ 462	+ 301
II Q ..	+ 224	+ 260
III Q ..	+ 219	+ 133
IV Q ..	+ 119	+ 134
1967 I Q ..	+ 313	+ 359
II Q ..	+ 258	+ 445
III Q ..	+ 309	+ 372

Capital movements in short-term forms resulted in net outflows of \$454 million in the quarter and \$515 million in the first nine months of 1967. Transactions in foreign currencies by and through the Canadian banking system contributed significantly to these movements while reductions in non-resident holdings of Canadian short-term finance company obligations and other money market instruments were also prominent in the third quarter.

The net spot holdings of foreign currency assets of the Canadian chartered banks vis-a-vis non-residents rose, on a transactions basis, by \$232 million in the quarter, while those with Canadian residents fell by \$147 million, an overall increase of \$85 million. Claims on residents of the United States climbed \$253 million while liabilities to them fell \$103 million. With residents of overseas countries a decrease in assets of \$103 million was augmented by a rise in liabilities to them of \$21 million.

Foreign currency claims on Canadians edged down \$1 million while liabilities to residents increased by \$146 million. Thus the net increase of \$85 million reflected a rise in net assets of \$356 million with residents of the United States and declines of \$124 million and \$147 million with residents of overseas countries and Canada, respectively.

Direct Investment

The net capital inflow for direct investment in foreign-controlled enterprises in the third quarter fell to \$130 million from \$140 million in the second quarter. About 80 per cent of this inflow came from the United States while most of the remainder was accounted for by overseas countries other than the United Kingdom. Mining and manufacturing received the bulk (around four fifths) of this inflow which was largely devoted to the formation of new capital rather than the purchase of already existing plants.

The net outflow during the third quarter due to Canadian direct investment abroad at \$5 million was about half the outflow for the preceding quarter. It was characterized by net inflows from the United States and the United Kingdom (due to reductions by Canadian corporations of assets in those countries) which were more than offset by investments in other foreign countries.

Security Transactions

Transactions in portfolio securities between Canada and other countries during the third quarter of 1967 resulted in a net capital inflow of \$117 million, greater by two fifths than in the previous quarter. The net sales balance arising from transactions in Canadian securities during the quarter rose from \$129 million to \$238 million, while net purchases of foreign issues of \$121 million compared with a \$48 million net outflow for the second quarter. During the first nine months of 1967 there was a net capital inflow of \$359 million from Canada's international transactions in portfolio securities compared with \$382 million for the corresponding period of 1966.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1966		1967		
	1965	1966	III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
Canadian securities:							
Outstanding - Bonds	+ 55	- 103	- 50	- 15	- 10	- 23	- 9
Stocks	- 274	- 137	- 35	- 44	- 52	- 15	+ 30
New issues	+ 1,240	+ 1,463	+ 317	+ 209	+ 331	+ 305	+ 276
Retirements	- 390	- 502	- 91	- 140	- 54	- 138	- 59
Foreign securities:							
Outstanding issues	- 53	- 350	- 87	- 84	- 30	- 41	- 108
New issues	- 57	- 85	- 41	- 9	- 26	- 9	- 15
Retirements	+ 25	+ 17	+ 2	+ 4	+ 2	+ 2	+ 2
Totals, all securities ..	+ 546	+ 303	+ 15	- 79	+ 161	+ 81	+ 117

The proceeds of new Canadian issues sold abroad declined ten per cent during the third quarter to \$276 million. Sales of new provincial direct and guaranteed issues dropped by more than one half from the second quarter of 1967 while those of municipalities, railways, and corporations each rose considerably. Total offerings of new issues of Canadian bonds and debentures to residents of the United States dropped to \$326 million, down nearly one third from the second quarter level. Transactions in outstanding Canadian securities during the quarter resulted in a net inflow of \$21 million, the first quarterly sales balance since the third quarter of 1965. Net sales of Canadian equities, which were concentrated largely in September, totalled \$30 million, the first such quarterly increase in foreign holdings of outstanding Canadian equities since the second quarter of 1961. Particularly significant in this movement was the sale of a large block of outstanding shares of a Canadian mining company to a United States financial organization. (Transactions with United States residents in many outstanding Canadian securities have been subject to an interest equalization tax since the middle of 1963. This tax which was originally 15 per cent was revised to 22 1/2 per cent

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Un- delivered(1)
millions of dollars			
1965	1,452	1,185	318
1966	1,162	1,358	122
1966 I Q ...	351	512	157
II Q ...	386	350	193
III Q ...	215	301	107
IV Q ...	210	195	122
1967 I Q ...	357	311	168
II Q ...	478	291	355
III Q ...	326	263	418

(1) At end of period.

million in the third quarter of 1967, following amounts of \$3 million and \$2 million in the first and second quarters respectively - all under the development loan program. Repayments of principal on earlier loans total \$2 million. There was a further subscription of \$2 million to a regional investment institution.

Detail of Long-term Capital Transactions n.i.e.
Item D13

Year and quarter	Export credits(1)						Other transactions	Total
	Wheat			Other commodities				
	Advances	Repayments	Net	Advances	Repayments	Net		
	millions of dollars							
1965	- 175	+ 22	- 153	- 77	+ 43	- 34	+ 67	- 120
1966	- 191	+ 153	- 38	- 65	+ 56	- 9	+ 57	+ 10
1966 I Q	- 29	+ 13	- 16	- 16	+ 9	- 7	+ 24	+ 1
II Q	- 39	+ 48	+ 9	- 16	+ 24	+ 8	+ 27	+ 44
III Q	- 70	+ 34	- 36	- 14	+ 15	+ 1	+ 24	- 11
IV Q	- 53	+ 58	+ 5	- 19	+ 8	- 11	- 18	- 24
1967 I Q	- 27	+ 46	+ 19	- 9	+ 9	-	+ 30	+ 49
II Q	- 39	+ 95	+ 56	- 10	+ 6	- 4	- 5	+ 47
III Q	- 24	+ 42	+ 18	- 8	+ 8	-	+ 57	+ 75

(1) Export credits extended from Canada directly or indirectly at risk of the Government of Canada.

Transactions during the quarter arising from the medium and long-term financing of exports directly or indirectly at the risk of the Government of Canada led to a net inflow of \$18 million due almost entirely to net repayments received in respect of exports of wheat to Sino-Soviet countries.

All other transactions in long-term forms in the third quarter led to a net inflow of \$57 million the largest such quarterly inflow since the third quarter of 1964. The predominant factor in this inflow was significant long-term borrowings by Canadian enterprises from foreign banks.

as of January, 1967 and later lowered to 18 3/4 per cent at the end of August.) Retirements of Canadian securities during the quarter fell some sixty per cent to \$59 million, due almost entirely to a \$59 million drop in the retirements of Government of Canada direct issues from the second quarter when official repatriation was prominent.

The net capital outflow of \$121 million due to transactions in foreign securities during the third quarter rose to about two and one half times that of the second quarter. This \$73 million rise was in good part explained by a \$49 million jump in the net outflow due to trade with residents of the United States in outstanding United States stocks. Purchases of new foreign issues amounted to \$15 million while retirements gave rise to an inflow of \$2 million.

Other Capital Flows in Long-term Forms

Disbursements by the Government of Canada under intergovernmental loan programs totalled \$8

Capital Movements in Short-term Forms

Both long-term and short-term interest rates were at the highest levels recorded for the first nine months of the year in the third quarter. Yields on Government of Canada bonds, apart from a slight dip in the spring, advanced steadily throughout the nine month period to reach levels unprecedented in recent times of over 6 per cent. Short-term interest rates as measured by the yield on three month treasury bills also dipped in the spring concomitant with successive reductions in the bank rate which was established at 4.5 per cent in April, 1967. With increasing pressure on short-term interest rates the bank rate was raised at the end of September to 5 per cent, a rise which was paralleled in the yields on treasury bills as they rose almost 30 basis points in the last week of September to 4.76 per cent at the weekly tender. As the demand for spot Canadian dollars firmed in the third quarter, keeping them above the official par value in terms of United States dollars, the discount on forward Canadian dollars, which was prevalent for most of this year, increased substantially over the quarter to close at 1.22 per cent per annum.

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1965	1966	1966		1967		
			III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	+ 138	- 601	- 317	- 97	+ 332	+ 36	- 260
17.2 Canadian commercial paper, etc.	+ 10	-	+ 12	+ 5	- 6	+ 5	- 1
17.3 Canadian finance company paper	- 162	- 4	- 55	+ 29	+ 7	- 25	- 54
17.4 Canadian finance company obligations, n.i.e.	+ 209	+ 154	+ 44	+ 87	- 19	+ 9	- 31
17.5 All other transactions(1)	+ 183	+ 205	- 57	+ 234	- 381	- 19	- 95
Total (Item D 17)	+ 378	- 246	- 373	+ 258	- 67	+ 6	- 441

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

Capital movements in short-term forms led to a net outflow of \$454 million in the third quarter compared with a \$52 million outflow in the second quarter. On balance there was a movement of short-term capital to the United States which was partially offset by inflows from both the United Kingdom and other foreign countries.

Non-resident holdings of Canadian dollars fell by \$13 million in the third quarter compared to a \$58 million reduction recorded during the previous quarter. The shift from quarter to quarter was largely accounted for by a swing in holdings of Canadian dollar deposits by non-residents from a decline of \$59 million in the second quarter to a rise of \$6 million in the third quarter. Net repurchases of Canadian treasury bills at \$17 million during the third quarter reduced non-resident holdings to the lowest level since the fourth quarter of 1966. United Kingdom holdings were unchanged while there were declines of \$3 million and \$14 million in the holdings of residents of the United States and other countries respectively.

As indicated in the supplementary statement covering "Other Capital Movements", in the third quarter these items, in aggregate, gave rise to a large net outflow of \$441 million. The first quarterly rise in 1967 of Canadian holdings of foreign currency bank balances and other short-term funds abroad (excluding official reserves) was recorded in the third quarter which led to a net outflow of \$260 million. An increase of Canadian holdings of swapped and other United States dollar deposits contributed to this movement. On the whole the Canadian chartered banks increased their net assets in the United States while their net assets in overseas countries declined. The effect of these movements was a net inflow from overseas countries and a net outflow to the United States.

The net outflow from transactions in Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) more than doubled in the period under review to \$54 million. This was combined with a \$31 million net outflow arising from transactions with non-residents in other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies). Additional finance company transactions which are not identified separately are included with capital movements in long-term forms, notably in new issues and retirements of securities. The total of international transactions in these companies' liabilities led to net outflows of about \$75 million in the third quarter and \$15 million in each of the first two quarters of 1967. Gross sales and purchases in Canadian commercial paper (including bankers' acceptances) were exactly offsetting during the third quarter, while there was a \$1 million net purchase balance of other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments).

All other transactions led to a net outflow of \$95 million. Repayments by Canadians of short-term bank loans from foreign banks formed a significant part of this movement.

Official Holdings of Gold and Foreign Exchange and Canada's Balance with the IMF

After six successive declines Canada's net international monetary assets rose in the period under review by \$56 million, as increases were recorded both for official holdings of gold and foreign exchange and in Canada's balance with the International Monetary Fund.

The rise in official holdings of gold and foreign exchange during the quarter amounted to \$55 million expressed in Canadian funds. Official holdings of gold and United States dollars expressed in terms of United States funds totalled \$2,221 million at September 30, 1967, a growth of \$52 million from the beginning of the quarter.

Canada's reserve position in the IMF, its initial right to draw in case of need, totalled \$453.7 million, expressed in United States funds, at September 30, 1967 having increased \$1.3 million in the three month period. This change was occasioned by a small number of minor transactions in Canadian dollars by members of the IMF.

The growth in Canada's net international monetary assets during the third quarter of 1967 was mirrored in the strength exhibited by the spot quotations for the Canadian dollar. Throughout the period the cost of United States dollars in terms of Canadian dollars was within the acceptable margin below the official parity rate of US\$1 = Cdn\$1.08108.

United States Dollar in Canada					Exchange Holdings and IMF Balance		
Period	High	Low	Close	Noon average	End of period	Official holdings of gold and United States dollars	Net balance with International Monetary Fund
Canadian cents					millions of United States dollars		
1966 I Q ..	107.81	107.34	107.72	107.58	1966 I Q	2,510	379
II Q ..	107.88	107.53	107.53	107.67	II Q	2,342	438
III Q ..	107.78	107.34	107.78	107.54	III Q	2,244	457
IV Q ..	108.41	107.78	108.38	108.15	IV Q	2,236	448
1967 I Q ..	108.34	107.75	108.25	108.07	1967 I Q	2,203	468
II Q ..	108.34	107.88	107.97	108.16	II Q	2,169	452
III Q ..	108.00	107.34	107.41	107.63	III Q	2,221	454
July ...	108.00	107.47	107.66	107.78	July	2,183	451
August	107.72	107.44	107.63	107.58	August	2,198	449
Sept. ..	107.69	107.34	107.41	107.53	Sept.	2,221	454

Note: The table of exchange holdings does not include holdings of the Government of Canada at September 30, 1967 of \$144 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions				Total liabi- lities	
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold		
	millions of United States dollars								
1947-1964	550.0	15.0	565.0	427.5	54.3	- 148.3	34.0	367.5	197.5
1965		35.0	600.0	35.0		- 183.4	27.5	246.6	353.4
1966	190.0		790.0	142.5		- 47.6		341.5	448.5
1967 I Q			790.0			- 20.0		321.5	468.5
II Q		- 15.0	775.0	- 15.0		16.1		322.6	452.4
III Q			775.0			- 1.3		321.3	453.7

(1) This is a cumulative measure of the net resources provided by Canada to the IMF. The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1967 are preliminary and data for 1966 are subject to revision

No.		1965		1966		
		III	IV	I	II	III
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,263	2,465	2,223	2,602	2,695
3	Gold production available for export	35	34	34	29	30
4	Travel expenditures	415	111	74	184	455
5	Interest and dividends	73	103	71	81	55
6	Freight and shipping	180	182	156	185	209
7	Inheritances and immigrants' funds	65	52	44	71	86
11	All other current receipts	162	171	171	172	180
12	Total current receipts	3,193	3,118	2,773	3,324	3,710
B	Current payments:					
1	Merchandise imports (adjusted)	2,101	2,442	2,213	2,651	2,472
4	Travel expenditures	276	144	191	240	314
5	Interest and dividends	225	357	247	250	230
6	Freight and shipping	208	210	169	212	225
7	Inheritances and emigrants' funds	61	58	36	44	60
9	Official contributions	31	18	33	14	82
11	All other current payments	257	268	280	288	286
12	Total current payments	3,159	3,497	3,169	3,699	3,669
C	Current account balance:					
1	Merchandise trade	+ 162	+ 23	+ 10	- 49	+ 223
2	Other transactions, excluding B 9	- 97	- 384	- 373	- 312	- 100
3	Official contributions	- 31	- 18	- 33	- 14	- 82
4	Total	+ 34	- 379	- 396	- 375	+ 41
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 111	+ 149	+ 128	+ 212	+ 147
2	Direct investment abroad	- 55	- 46	- 22	- 39	+ 76
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	+ 36	+ 4	- 13	- 25	- 50
3.2	Trade in outstanding common and preference stocks	- 28	- 68	- 14	- 44	- 35
4	New issues	+ 288	+ 311	+ 578	+ 359	+ 317
5	Retirements	- 58	- 81	- 113	- 158	- 91
6,7,8	Foreign securities	- 20	- 13	- 79	- 124	- 126
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	-	- 14	- 6	- 3	- 9
10	Repayments to Canada	+ 1	+ 2	+ 2	+ 2	+ 1
11	Columbia River Treaty, net	-	+ 32	-	-	-
13	Long-term capital transactions n.i.e.	- 59	- 23	+ 1	+ 44	- 11
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	- 19	+ 49	- 15	- 8	+ 21
14.2	Government of Canada demand liabilities	- 5	+ 12	- 6	- 2	+ 5
14.3	Canadian treasury bills	- 2	- 3	- 8	-	+ 2
17	Other capital movements	+ 2	+ 70	- 175	+ 44	- 373
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 216	+ 253	+ 462	+ 224	+ 219
2	Short-term forms (D14 to D17)	- 24	+ 128	- 204	+ 34	- 345
3	Total	+ 192	+ 381	+ 258	+ 258	- 126
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	+ 144	+ 55	- 166	- 181	- 105
2	Change in net International Monetary Fund position	+ 82	- 53	+ 28	+ 64	+ 20
3	Other special international financial assistance	-	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1967 are preliminary and data for 1966 are subject to revision

1966	1967			Annual totals			Four quarters ended	No.
IV	I	II	III	1964	1965	1966	Sept. 30, 1967	
millions of dollars								
2,806	2,609	3,018	2,708	8,238	8,745	10,326	11,141	A
32	33	26	25	145	138	125	116	1
127	81	341	686	662	747	840	1,235	3
116	62	54	62	332	322	323	294	4
206	169	214	208	644	668	756	797	5
67	60	96	106	169	216	268	329	6
180	197	182	169	557	645	703	728	7
3,534	3,211	3,931	3,964	10,747	11,481	13,341	14,640	11
								12
2,766	2,513	3,014	2,623	7,537	8,627	10,102	10,916	B
158	210	231	284	712	796	903	883	1
408	242	269	263	1,010	1,086	1,135	1,182	4
219	176	232	224	679	761	825	851	5
58	42	47	61	201	211	198	208	6
33	52	80	16	69	93	162	181	7
299	293	319	292	963	1,037	1,153	1,203	9
3,941	3,528	4,192	3,763	11,171	12,611	14,478	15,424	11
								12
+ 40	+ 96	+ 4	+ 85	+ 701	+ 118	+ 224	+ 225	C
- 414	- 361	- 185	+ 132	- 1,056	- 1,155	- 1,199	- 828	1
- 33	- 52	- 80	- 16	- 69	- 93	- 162	- 181	2
- 407	- 317	- 261	+ 201	- 424	- 1,130	- 1,137	- 784	3
								4
								D
+ 223	+ 125	+ 140	+ 130	+ 270	+ 535	+ 710	+ 618	1
- 35	- 30	- 10	- 5	- 95	- 125	- 20	- 80	2
- 15	- 10	- 23	- 9	+ 77	+ 55	- 103	- 57	3.1
- 44	- 52	- 15	+ 30	- 98	- 274	- 137	- 81	3.2
+ 209	+ 331	+ 305	+ 276	+ 1,100	+ 1,240	+ 1,463	+ 1,121	4
- 140	- 54	- 138	- 59	- 382	- 390	- 502	- 391	5
- 89	- 54	- 48	- 121	- 52	- 85	- 418	- 312	6,7,8
- 17	- 3	- 2	- 10	- 10	- 14	- 35	- 32	9
+ 19	+ 11	+ 2	+ 2	+ 10	+ 10	+ 24	+ 34	10
+ 32	-	-	-	+ 54	+ 32	+ 32	+ 32	11
- 24	+ 49	+ 47	+ 75	- 54	- 120	+ 10	+ 147	13
+ 12	+ 48	- 59	+ 6	+ 28	+ 31	+ 10	+ 7	14.1
+ 8	- 5	- 7	- 2	-	+ 2	+ 5	- 6	14.2
- 9	+ 15	+ 8	- 17	- 16	+ 12	- 15	- 3	14.3
+ 258	- 67	+ 6	- 441	- 45	+ 378	- 246	- 244	17
+ 119	+ 313	+ 258	+ 309	+ 820	+ 864	+ 1,024	+ 999	E
+ 269	- 9	- 52	- 454	- 33	+ 423	- 246	- 246	1
+ 388	+ 304	+ 206	- 145	+ 787	+ 1,287	+ 778	+ 753	2
								3
- 10	- 35	- 37	+ 55	+ 86	- 11	- 462	- 27	H = C+E
- 9	+ 22	- 18	+ 1	+ 277	+ 168	+ 103	- 4	1
-	-	-	-	-	-	-	-	2
								3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

CATALOGUE No.

67-001

QUARTERLY



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS FOURTH QUARTER 1967

Contains annual bilateral estimates and
quarterly estimates with the United States
for 1965 and 1966.

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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Fourth Quarter 1967 and Preliminary Estimates for the Year 1967

The sharp contraction to \$425 million in Canada's current account deficit from transactions in goods and services which occurred in Canada's Centennial Year was even greater than had been expected. The improvement of over \$700 million in 1967 was the result of a substantial growth of some \$250 million in the merchandise surplus and of an extraordinary improvement of about \$450 million in the non-merchandise balance as the result mainly of Expo 67. The balance ended the year on a strong note which reflected a recovery in demand for Canadian merchandise exports to the high levels prevailing earlier in the year, as rising import demands within the United States economy replaced demand from overseas countries for wheat and some other Canadian commodities, combined with some decline in domestic demand for imports.

Inflows of capital in long-term forms of \$1,386 million were partly offset by outflows of \$943 million in short-term forms. Canada's official monetary assets increased \$18 million over the year.

The relatively small current account deficit of \$425 million experienced by Canada in 1967 implied a further growth of net foreign investment in Canada, which also increases as a result of net undistributed earnings accruing externally. Canada's balance of international indebtedness (which includes equity as well as contractual investments) is estimated to have reached the order of \$24 billion (at book value) at the end of 1967. This is about six times the level of eighteen years ago, and double the figure of a decade ago. Long-term foreign investment in Canada is approaching \$34 billion and other claims of non-residents add about \$5 billion to Canada's liabilities. Canadian assets abroad have a total book value of about \$15 billion, including about \$9 billion of investments in long-term forms.

Summary Statement

	1965	1966	1967	1966	1967				
				IV Q	I Q	II Q	III Q	IV Q	
	millions of dollars								
Merchandise trade balance	+ 118	+ 224	+ 480	+ 40	+ 96	+ 4	+ 87	+ 293	
Deficit on non-merchandise transactions	- 1,248	- 1,361	- 905	- 447	- 412	- 252	+ 137	- 378	
Current account balance	- 1,130	- 1,137	- 425	- 407	- 316	- 248	+ 224	- 85	
Capital movements(1)	+ 1,287	+ 778	+ 443	+ 388	+ 303	+ 193	- 168	+ 115	
Long-term forms	+ 864	+ 1,019	+ 1,386	+ 112	+ 307	+ 258	+ 301	+ 520	
Short-term forms	+ 423	- 241	- 943	+ 276	- 4	- 65	- 469	- 405	
Change in official holdings of gold, foreign exchange, and net balance with International Monetary Fund	+ 157	- 359	+ 18	- 19	- 13	- 55	+ 56	+ 30	

(1) Excluding change in official exchange holdings.

Both total receipts and payments on international exchanges of goods and services between Canada and foreign countries rose to record high levels in 1967. The exports of goods and services advanced 12 per cent from \$13,341 million in 1966 to a preliminary total of \$14,945 million, while payments increased 6 per cent from \$14,478 million to an estimated total of \$15,370 million in 1967. The current account deficit accordingly declined considerably from a high level of \$1,137 million in 1966 (and \$1,130 million in 1965) to \$425 million in 1967, which practically corresponded with the 1964 deficit.

Somewhat under two thirds of the reduction in the deficit in 1967 originated from non-merchandise transactions, and travel expenditures alone accounted for more than the improvement for the whole group of "invisibles". In accounting for over a third of the reduction in the current account deficit,

Summary of Current Transactions with the United States, United Kingdom and Other Countries
1966 and 1967, and Changes Between the Periods

	1966	1967	Change	1966	1967	Change
	millions of dollars					
<u>Fourth quarter</u>	<u>All Countries</u>			<u>United States</u>		
Merchandise exports (adjusted)	2,806	3,055	+ 249	1,753	2,044	+ 291
Merchandise imports (adjusted)	2,766	2,762	- 4	1,984	2,006	+ 22
Balance on merchandise trade	+ 40	+ 293	+ 253	- 231	+ 38	+ 269
Other current receipts	728	757	+ 29	451	476	+ 25
Other current payments	1,175	1,135	- 40	846	810	- 36
Balance on non-merchandise transactions ...	- 447	- 378	+ 69	- 395	- 334	+ 61
Total receipts	3,534	3,812	+ 278	2,204	2,520	+ 316
Total payments	3,941	3,897	- 44	2,830	2,816	- 14
Current account balance	- 407	- 85	+ 322	- 626	- 296	+ 330
<u>January to December</u>						
Merchandise exports (adjusted)	10,326	11,385	+ 1,059	6,249	7,322	+ 1,073
Merchandise imports (adjusted)	10,102	10,905	+ 803	7,242	7,981	+ 739
Balance on merchandise trade	+ 224	+ 480	+ 256	- 993	- 659	+ 334
Other current receipts	3,015	3,560	+ 545	1,998	2,417	+ 419
Other current payments	4,376	4,465	+ 89	3,022	3,056	+ 34
Balance on non-merchandise transactions ...	- 1,361	- 905	+ 456	- 1,024	- 639	+ 385
Total receipts	13,341	14,945	+ 1,604	8,247	9,739	+ 1,492
Total payments	14,478	15,370	+ 892	10,264	11,037	+ 773
Current account balance	- 1,137	- 425	+ 712	- 2,017	- 1,298	+ 719
<u>Fourth quarter</u>	<u>United Kingdom</u>			<u>Other Countries</u>		
Merchandise exports (adjusted)	274	311	+ 37	779	700	- 79
Merchandise imports (adjusted)	169	143	- 26	613	613	-
Balance on merchandise trade	+ 105	+ 168	+ 63	+ 166	+ 87	- 79
Other current receipts	112	106	- 6	165	175	+ 10
Other current payments	110	106	- 4	219	219	-
Balance on non-merchandise transactions ...	+ 2	-	- 2	- 54	- 44	+ 10
Total receipts	386	417	+ 31	944	875	- 69
Total payments	279	249	- 30	832	832	-
Current account balance	+ 107	+ 168	+ 61	+ 112	+ 43	- 69
<u>January to December</u>						
Merchandise exports (adjusted)	1,133	1,199	+ 66	2,944	2,864	- 80
Merchandise imports (adjusted)	664	652	- 12	2,196	2,272	+ 76
Balance on merchandise trade	+ 469	+ 547	+ 78	+ 748	+ 592	- 156
Other current receipts	387	389	+ 2	630	754	+ 124
Other current payments	435	433	- 2	919	976	+ 57
Balance on non-merchandise transactions ...	- 48	- 44	+ 4	- 289	- 222	+ 67
Total receipts	1,520	1,588	+ 68	3,574	3,618	+ 44
Total payments	1,099	1,085	- 14	3,115	3,248	+ 133
Current account balance	+ 421	+ 503	+ 82	+ 459	+ 370	- 89

Note: Omission of items A7 and B7 for inheritances and migrants' funds in the main balance of payments table at the back of this report yields exports and imports of goods and services as published in the National Accounts.

the merchandise trade surplus in 1967 more than doubled from the preceding year. Bilaterally, the large decline in Canada's current account deficit was derived entirely from transactions with the United States, as the rise in the current surplus with the United Kingdom was roughly counterbalanced by a slightly larger reduction in the current surplus with other countries. Within this group, the current surplus with the rest of the sterling area expanded, while the deficit with other OECD countries in Europe was practically unchanged. A substantial contraction in the surplus with the remaining countries outweighed the favourable changes.

An Improvement in the Merchandise Trade Surplus

Merchandise exports and imports (both adjusted for balance of payments use) reached the highest levels on record in 1967. Merchandise exports expanded about 10 per cent from \$10,326 million in 1966 to \$11,385 million, while merchandise imports increased from \$10,102 million to \$10,905 million, or up 8 per cent. The merchandise trade surplus more than doubled from \$224 million to \$480 million in 1967. This surplus was not as high as those of approximately \$500 million and \$700 million recorded in 1963 and 1964 but larger than any other year in the sixties.

A net amount of about \$25 million (representing for the most part timing adjustment for wheat shipments) was deducted from the Trade of Canada total of exports and re-exports for 1967. The recorded import figure was, on the other hand, adjusted by an addition of \$28 million. About 80 per cent represented compensation for a change in April and succeeding months in the recording of imports, which shifted forward some 2 per cent of the monthly totals. An excess of progress payments on orders for civil aircraft over the value of deliveries in 1967 constituted a further addition to the value of recorded imports. These balance of payments adjustments had the effect of narrowing the Trade of Canada trade surplus by about \$53 million. The recorded trade surplus is based on the corrected import totals published for the relevant months of 1966 and 1967 in the insert in July 1967 issue of "Trade of Canada -- Imports by Commodities".

Roughly \$750 million, or about 70 per cent of the increase of \$1,059 million in merchandise exports during 1967 arose from larger shipments of automotive products to the United States and other destinations abroad. Based on a comparison of 11-month totals of other commodity groups, exports of non-ferrous metals gained about \$150 million in 1967. Over half of this rise was attributable to copper alone; as the prolonged strike in the copper industry in the United States was a factor in the increase. Shipments of aircraft, engines and parts rose nearly \$100 million as also did natural gas, petroleum and products together. Aircraft parts and crude petroleum were particularly important. Industrial and agricultural machinery accounted for about another \$40 million of the export rise. There were smaller but still important gains in the exports of barley, lumber, pulp, sulphur, communication equipment and firearms. Shipments of canned fish, whisky, tobacco, iron ores, chemicals, fertilizers and office machines increased moderately. Wheat shipments, on the other hand, fell nearly \$330 million in 1967. Well over half of this decline occurred in shipments to the U.S.S.R. and another one-third in the deliveries to Mainland China. Much smaller declines took place in shipments of meat, wheat flour, flaxseed, hides and skins, and uranium.

Merchandise imports rose \$803 million to \$10,905 million in 1967. About \$590 million, or more than 70 per cent, of this expansion applied to imports of automotive products. Imports of aircraft, engines and parts accounted for well over \$100 million of the increase. Crude petroleum imports were approximately \$50 million higher. Less substantial imports included a wide range of commodities such as hardware products, communication equipment, electronic computers, laboratory equipment, photographic goods, books and a variety of food items and consumer goods. Imports of iron ores and concentrates declined about \$30 million and of nickel and alloys nearly as much from an unusually high level in 1966.

Between 1966 and 1967, average export prices advanced about 2 per cent while average import prices increased only half as much. The rate of increase in these prices slowed down during 1967, from, in the case of export prices, 3 per cent in the first quarter to about 1 per cent in the last quarter.

Balances on Principal Non-merchandise Transactions

	1965	1966	1967	Change in 1967
	millions of dollars			
Gold production available for export	+ 138	+ 125	+ 112	- 13
Travel expenditures	- 49	- 63	+ 427	+ 490
Interest and dividends	- 764	- 812	- 868	- 56
Freight and shipping	- 93	- 69	- 51	+ 18
Inheritances and migrants' funds	+ 5	+ 70	+ 124	+ 54
Official contributions	- 93	- 162	- 177	- 15
All other current transactions	- 392	- 450	- 472	- 22
Balance on non-merchandise transactions	- 1,248	- 1,361	- 905	+ 456

A Contraction in Deficit on Services and Non-merchandise Transactions

A sharp reduction from \$1,361 million in 1966 to \$905 million lowered the 1967 non-merchandise deficit below that of any year since 1958. The overall improvement of \$456 million was exceeded by the change of \$490 million in the travel balance alone, which changed from a deficit of \$63 million in 1966 to a surplus of \$427 million in 1967. Migrants' funds and inheritances and freight and shipping services accounted for \$54 million and \$18 million respectively of the reduction in the "invisible" deficit. A continuing expansion in the deficit on interest, dividends and miscellaneous current transactions, an increase in official contributions, and a decline in the value of gold production available for export were the offsetting factors in the overall contraction of the non-merchandise deficit.

Following increases of somewhat over 10 per cent in the preceding two years, there was a rise of 55 per cent in travel receipts from \$840 million in 1966 to \$1,304 million in 1967. This almost phenomenal rise was attributable to Expo 67 and other Centennial Year activities. Over 90 per cent of this increase originated from expenditures in Canada of travellers from the United States. Travel receipts from that country rose nearly 60 per cent from \$730 million to \$1,158 million. Receipts from visitors from overseas areas gained about a third from \$110 million to \$146 million. Expenditures on travel abroad, however, declined slightly from \$903 million in 1966 to \$877 million, as many Canadians stayed home in 1967 to savour the centenary attractions.

Travel Expenditures

	1965	1966	1967	Change in 1967
	millions of dollars			
United States:				
Receipts ...	660	730	1,158	+ 428
Payments ...	548	631	609	- 22
Balance	+ 112	+ 99	+ 549	+ 450
Overseas:				
Receipts ...	87	110	146	+ 36
Payments ...	248	272	268	- 4
Balance	- 161	- 162	- 122	+ 40
All countries:				
Receipts ...	747	840	1,304	+ 464
Payments ...	796	903	877	- 26
Balance	- 49	- 63	+ 427	+ 490

Net interest and dividend payments in 1967 rose by \$56 million or almost 7 per cent to \$868 million, compared with \$812 million in the previous year. The expansion in the deficit was attributable to a fall of \$42 million in interest and dividend receipts and a smaller rise of \$14 million in the payments. The fall in income receipts was largely due to a drop of \$34 million in dividend receipts to \$179 million, which occurred mainly in the second and fourth quarters. Dividend receipts by several Canadian companies on their direct investment abroad were significantly lower, and a withholding tax adjustment relating to transfers in earlier years by a large oil company accounted for a further reduction in the total. Portfolio earnings abroad, however, were appreciably higher following continuing large purchases of United States securities by Canadian investors. Interest receipts were moderately lower at \$102 million.

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1965	1,086	383	703
1966	1,135	428	707
1967	1,149	468	681
1966 I Q ...	247	93	154
II Q ...	250	120	130
III Q ...	230	93	137
IV Q ...	408	122	286
1967 I Q ...	242	105	137
II Q ...	269	130	139
III Q ...	263	105	158
IV Q ...	375	128	247

The growth of \$14 million in payments of interest and dividends from \$1,135 million in 1966 to \$1,149 million in 1967 represented one of the smallest increases in recent years. Interest payments rose by \$40 million to \$468 million following large United States purchases of new corporate and provincial bond issues during 1966 and 1967. Dividend payments, however, at \$681 million were \$26 million lower than the record high reached in 1966. A sharp reduction of approximately 40 per cent in payments by Canadian subsidiaries to their United States parent companies was largely offset by a substantial increase in the profits of unincorporated Canadian branches of United States companies.

Rising merchandise trade produced higher receipts and payments for freight and shipping services. Greatly lowered grain shipments, strikes in the transportation industry in Canada and abroad, and the Middle East crisis had a mixed impact on these transactions. Freight and

shipping receipts increased 6 per cent from \$756 million to \$804 million, while payments rose \$30 million to \$855 million. The deficit on this account narrowed from \$69 million to \$51 million.

As a result of a 14 per cent rise in the number of immigrants to approximately 222,900 persons in 1967 (second only to 1957 in the postwar period), immigrants' funds and inheritances advanced from \$268 million to \$337 million. The per capita funds of immigrants arriving in 1967 were also appreciably higher. Emigrants' funds and inheritances meanwhile rose \$15 million to an estimated total of \$213 million in 1967. The surplus on these transactions expanded from \$70 million to \$124 million.

Miscellaneous Current Transactions, 1966 and 1967

	Receipts		Payments	
	1966	1967	1966	1967
millions of dollars				
Government transactions, excluding official contributions	192	200	218	217
Personal and institutional remittances	40	40	110	138
Miscellaneous income	168	169	269	261
Business services and other transactions	303	313	556	578
Totals	703	722	1,153	1,194
Balance .....	...	...	- 450	- 472

In continuation of the slow decline over the past several years, the value of gold production available for export was \$112 million as compared with \$125 million for 1966. Canada's official economic aid in cash grants and donations of goods and services to developing countries abroad increased from \$162 million in 1966 to \$177 million. A remission of the principal and interest on loans extended for purchasing Canadian wheat and flour constituted the major part of the rise in aid. Smaller increases took place in both bilateral and multilateral types of aid, including assistance to Commonwealth countries and independent French-speaking states in Africa as well as contributions to international agencies. Wheat shipments under the international food aid program represented an important portion of Canada's official contributions in both 1966 and 1967.

The deficit on miscellaneous current transactions increased \$22 million to \$472 million in 1967. Extraordinary flows of personal and institutional remittances following the Middle East crisis mainly contributed to this expansion. Net payments for business services continued to rise but offsetting changes occurred in the deficits originating from miscellaneous income and other government expenditures (as a result of expenditures by foreign participants at Expo 67).

Quarterly Developments in Current Transactions (Seasonally adjusted)

Following a contraction of roughly 60 per cent to \$131 million, seasonally adjusted at quarterly rates, in the first quarter of 1967, the current account deficit widened to \$152 million in the third quarter. A sharp decline occurred in the fourth quarter to \$7 million. From a high level of \$368 million in the fourth quarter of 1966, the deficit on non-merchandise transactions contracted 20 per cent in successive quarters as preparations were completed for the opening of Expo 67 in the second quarter. The sharp rise in the travel surplus together with a fall in the official contributions accounted in the main for about a five-eighths decline in the "invisible" deficit from \$235 million to \$86 million, after allowance for seasonal variation, in the third quarter of the year. With the termination of Expo 67 and other centennial activities, the non-merchandise deficit of \$288 million in the fourth quarter rose to nearly the level of \$296 million in the first quarter of 1967.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

		Goods			Services			Total receipts	Total pay-ments	Current account balance
		Exports	Imports	Balance	Receipts	Payments	Balance	(1)	(1)	
millions of dollars										
1966	I Q ...	2,492	2,394	+ 98	731	1,039	- 308	3,223	3,433	- 210
	II Q ...	2,518	2,486	+ 32	754	1,061	- 307	3,272	3,547	- 275
	III Q ...	2,633	2,586	+ 47	757	1,135	- 378	3,390	3,721	- 331
	IV Q ...	2,683	2,636	+ 47	773	1,141	- 368	3,456	3,777	- 321
	Year	10,326	10,102	+ 224	3,015	4,376	- 1,361	13,341	14,478	- 1,137
1967	I Q ...	2,889	2,724	+ 165	806	1,102	- 296	3,695	3,826	- 131
	II Q ...	2,894	2,794	+ 100	945	1,180	- 235	3,839	3,974	- 135
	III Q ...	2,657	2,723	- 66	994	1,080	- 86	3,651	3,803	- 152
	IV Q ...	2,945	2,664	+ 281	815	1,103	- 288	3,760	3,767	- 7
	Year	11,385	10,905	+ 480	3,560	4,465	- 905	14,945	15,370	- 425

(1) Omission of inheritances and migrants' funds (as shown in the following statement) yields exports and imports of goods and services as published in the National Accounts (seasonally adjusted at annual rates).

Notwithstanding the course of these seasonally adjusted net payments on services, the current account deficit was the highest in the third quarter and lowest in the final quarter of 1967. This outcome was attributable to the quarterly changes in the larger trade totals. After seasonal adjustment, merchandise exports stood at approximately the same level in each of the quarters of 1967, except for a dip of about 8 per cent in the third quarter. The low seasonally adjusted estimate for merchandise exports in the third quarter was attributable to the combined influence of sharply reduced wheat shipments and lower exports of automotive products. In the first 3 quarters of the year, merchandise imports remained fairly stable on a plateau about 4 per cent above the fourth quarter 1966 level. In the last quarter of 1967, merchandise imports declined about 2 per cent from \$2,723 million in the third quarter to \$2,664 million. Contributing to this decline was a rather sharply reduced rate of increase in the quarter in imports of automotive products, as compared with the average increase for the 3 earlier quarters of 1967. The movements of other commodity groups are not clear on account of incomplete information.

Principal Non-merchandise Transactions
(Seasonally adjusted at quarterly rates)

	1966					1967				
	I Q	II Q	III Q	IV Q	Year	I Q	II Q	III Q	IV Q	Year
	millions of dollars									
<u>Receipts</u>										
Gold production available for export	33	30	30	32	125	31	29	26	26	112
Travel expenditures	205	214	210	211	840	235	375	435	259	1,304
Interest and dividends	85	85	70	83	323	73	57	79	72	281
Freight and shipping	180	184	195	197	756	196	212	193	203	804
Inheritances and migrants' funds	58	67	71	72	268	78	88	88	83	337
All other transactions	170	174	181	178	703	193	184	173	172	722
Totals	731	754	757	773	3,015	806	945	994	815	3,560
<u>Payments</u>										
Gold production available for export	-	-	-	-	-	-	-	-	-	-
Travel expenditures	224	221	230	228	903	239	210	202	226	877
Interest and dividends	263	277	284	311	1,135	260	295	315	279	1,149
Freight and shipping	204	205	208	208	825	212	223	208	212	855
Inheritances and migrants' funds	46	48	52	52	198	54	51	56	52	213
All other transactions (including official contributions)	302	310	361	342	1,315	337	401	299	334	1,371
Totals	1,039	1,061	1,135	1,141	4,376	1,102	1,180	1,080	1,103	4,465
<u>Balance</u>										
Gold production available for export	+ 33	+ 30	+ 30	+ 32	+ 125	+ 31	+ 29	+ 26	+ 26	+ 112
Travel expenditures	- 19	- 7	- 20	- 17	- 63	- 4	+ 165	+ 233	+ 33	+ 427
Interest and dividends	- 178	- 192	- 214	- 228	- 812	- 187	- 238	- 236	- 207	- 868
Freight and shipping	- 24	- 21	- 13	- 11	- 69	- 16	- 11	- 15	- 9	- 51
Inheritances and migrants' funds	+ 12	+ 19	+ 19	+ 20	+ 70	+ 24	+ 37	+ 32	+ 31	+ 124
All other transactions (including official contributions)	- 132	- 136	- 180	- 164	- 612	- 144	- 217	- 126	- 162	- 649
Totals	- 308	- 307	- 378	- 368	- 1,361	- 296	- 235	- 86	- 288	- 905

Transactions by Areas

The traditional bilateral pattern of Canada's current transactions was maintained in the Centennial Year, with the surplus with overseas countries offsetting in part the long-standing deficit with the United States on the exchange of goods and services. This current deficit declined by more than a third to \$1,298 million in 1967, while the surplus with overseas countries was down slightly to \$873 million. Total receipts from the United States rose 18 per cent or \$1,492 million from \$8,247 million in 1966 to \$9,739 million in 1967. The increase in 1966 amounted to 12 per cent. These receipts represented about 65 per cent of the value of exports of goods and services to all countries, as compared with nearly 62 per cent in 1966 and 59 1/2 per cent in 1965. Following an expansion of about 11 1/2 per cent in 1966, total payments to the United States rose \$773 million or 7 1/2 per cent from \$10,264 million to \$11,037 million in 1967. These payments accounted for nearly 72 per cent of the total value of imports of goods and services in 1967 in comparison with about 71 per cent in 1966 and 69 1/2 per cent in the preceding year.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
millions of dollars					
United States:					
1965	- 595	- 532	- 175	- 635	- 1,937
1966	- 601	- 605	- 185	- 626	- 2,017
1967	- 573	- 500	+ 71	- 296	- 1,298
United Kingdom:					
1965	+ 96	+ 141	+ 138	+ 130	+ 505
1966	+ 103	+ 111	+ 100	+ 107	+ 421
1967	+ 130	+ 112	+ 93	+ 168	+ 503
Other countries:					
1965	+ 78	+ 27	+ 71	+ 126	+ 302
1966	+ 102	+ 119	+ 126	+ 112	+ 459
1967	+ 127	+ 140	+ 60	+ 43	+ 370

The current account deficit with the United States of \$1,298 million was higher than for 1962 and 1963 but lower than that for any other year in the sixties. Slightly under half of the reduction in the deficit in 1967 was ascribable to merchandise trade and the balance to the contraction in net payments for services. At \$7,322 million, merchandise exports to the United States were 17 per cent higher than the \$6,249 million for 1966; merchandise imports rose 10 per cent from \$7,242 million to \$7,981 million. The increasing two-way exchange of automotive products accounted for a large portion of the rise in merchandise trade. Also contributing to the export rise were nickel and copper, in particular, crude petroleum, natural gas, agricultural machinery and business machine parts, while shipments of steel-mill products were lower in 1967. Besides the large increase in automotive products, there was a rise of about \$100 million in imports of aircraft and parts from the United States, with heavy deliveries of civilian aircraft taking place in the second half of 1967. Following an uninterrupted succession of quarterly deficits over an extended period, the merchandise trade balance with the United States changed from a substantial deficit in the third quarter to a small surplus in the final quarter of the year. The expansion of \$450 million in the travel account surplus, referred to before, was offset in part by a

continuing rise in net payments for interest, dividends and business services. The value of gold production available declined \$13 million to \$112 million, and there were smaller and offsetting changes to several other non-merchandise balances.

If the credit from gold is excluded, Canada's current account deficit with the United States in 1967 was \$1,410 million. Net capital movements between the two countries produced an inflow of \$350 million as an influx of \$1,311 million of long-term capital was partially offset by an outflow on short-term account of \$961 million. In sum these transactions with the United States gave rise in 1967 to net successive quarterly payments by Canada of \$235 million, \$490 million, \$188 million and \$147 million to total \$1,060 million for the year.

In current transactions with the United Kingdom, Canada's surplus, which had declined in two successive years from a recent peak of \$605 million in 1964, widened over 19 per cent from \$421 million in 1966 to \$503 million in 1967. This preliminary estimate was almost identical with the surplus for 1965. Total current receipts gained roughly 4 per cent from \$1,520 million to \$1,588 million, while total payments declined about 1 per cent from \$1,099 million to \$1,085 million in 1967. Most of the \$82 million gain in the current surplus originated from merchandise trade, whose surplus widened 16 1/2 per cent from \$469 million to \$547 million. Merchandise exports gained nearly 6 per cent from \$1,133 million to \$1,199 million while merchandise imports decreased slightly from \$664 million to \$652 million. The deficit on non-merchandise transactions declined \$4 million to \$44 million, with small favourable changes to the balances of a number of non-merchandise items together outweighing an expansion of some 20 per cent in net payments on travel account. A cut of more than a fifth in expenditures by visitors to Canada from the United Kingdom, due in large measure to the limit of £50 on the annual overseas travel allowances, was augmented by a moderate rise in the spending of Canadian travellers in the United Kingdom.

Canada's current account surplus with other countries contracted roughly 20 per cent from \$459 million in 1966 to \$370 million. This preliminary surplus for 1967 was still higher than any other year in the sixties, except 1964 when the surplus stood at \$606 million, which included wheat shipments in excess of \$500 million to Sino-Soviet countries. These shipments, which were even higher in 1966, declined sharply to some \$240 million in 1967. The value of exports of goods and services to the group of other countries nevertheless rose moderately from \$3,574 million to \$3,618 million in 1967.

Financing of Canada's Bilateral Account with the United States

	1965	1966	1967	1966	1967				
				IV Q	I Q	II Q	III Q	IV Q	
	millions of dollars								
<u>Transactions with the United States:(1)</u>									
Current account balance	- 2,075	- 2,142	- 1,410	- 658	- 605	- 528	+ 45	- 322	
Capital movements in long-term forms	+ 1,105	+ 1,200	+ 1,311	+ 140	+ 358	+ 225	+ 323	+ 405	
Capital movements in short-term forms	- 668	- 162	- 961	+ 59	+ 12	- 187	- 556	- 230	
Totals	- 1,638	- 1,104	- 1,060	- 459	- 235	- 490	- 188	- 147	
<u>Financing:</u>									
Transactions with rest of world:									
Current account balance	+ 807	+ 880	+ 873	+ 219	+ 257	+ 252	+ 153	+ 211	
Capital movements in long-term forms	- 241	- 181	+ 75	- 28	- 51	+ 33	- 22	+ 115	
Capital movements in short-term forms	+ 1,091	- 79	+ 18	+ 217	- 16	+ 122	+ 87	- 175	
Sub-totals	+ 1,657	+ 620	+ 966	+ 408	+ 190	+ 407	+ 218	+ 151	
Gold production available for export	+ 138	+ 125	+ 112	+ 32	+ 32	+ 28	+ 26	+ 26	
Increase (-) in official Canadian holdings of gold, foreign exchange, net asset with the IMF, etc.	- 157	+ 359	- 18	+ 19	+ 13	+ 55	- 56	- 30	
Totals	+ 1,638	+ 1,104	+ 1,060	+ 459	+ 235	+ 490	+ 188	+ 147	

(1) Excluding gold production available for export and changes in official monetary assets, shown with financing.

Total current payments rose about 4 per cent from \$3,115 million to \$3,248 million. Merchandise exports declined nearly 3 per cent from \$2,944 million to \$2,864 million, while merchandise imports rose more than 3 per cent from \$2,196 million to \$2,272 million. The consequent decline of \$156 million in the trade surplus to \$592 million was offset in part by a contraction of \$67 million in the non-merchandise deficit. This favourable change was attributable to sizable improvements in the balances on account of travel, migrants' funds and inheritances, which were offset in part by adverse changes to the balances on interest, dividends, personal and institutional remittances and by an increase in official contributions. Merchandise exports to Japan advanced about \$170 million or well over 40 per cent in 1967, but merchandise imports from that country increased in the neighbourhood of \$50 million, or about 20 per cent. Shipments of Canadian commodities to Australia were some \$30 million or over a quarter higher than in 1966.

Total current and capital account transactions with the United Kingdom and other overseas countries led to net receipts by Canada of \$966 million in 1967, over 50 per cent above the 1966 net inflow but down almost \$700 million from the 1965 level. The favourable current account balance was little changed between 1966 and 1967 while capital flows in both long and short-term forms, which had been negative in 1966, swung to positive balances in 1967. Inflows for direct investment in Canada and the repayment of export credits largely accounted for the long-term capital balance while net short-term inflows were moderated by a significant outflow, particularly in the fourth quarter, to increase Canadian net foreign currency assets in overseas countries.

The \$94 million difference between the net receipts from overseas countries and the larger net payments to the United States together with the gold production available for export of \$112 million are both reflected in the \$18 million increase in official holdings of gold, foreign exchange and IMF balance.

Summary

Item	1965	1966	1967	1966	1967				
				IV Q	I Q	II Q	III Q	IV Q	
				millions of dollars					
Capital movements in long-term forms	+	864	+ 1,019	+ 1,386	+ 112	+ 307	+ 258	+ 301	+ 520
Capital movements in short-term forms ...	+	423	- 241	- 943	+ 276	- 4	- 65	- 469	- 405
Balance on goods and services	-	1,130	- 1,137	- 425	- 407	- 316	- 248	+ 224	- 85
Change in official holdings of gold, foreign exchange, and net balance with the International Monetary Fund	+	157	- 359	+ 18	- 19	- 13	- 55	+ 56	+ 30

Capital Movements

Net capital inflows into Canada fell to \$443 million in 1967 compared with \$778 million in the preceding year. In all four quarters of the year there were net movements inwards on long-term account and outwards on short-term account. On balance there was a net capital inflow in the first six months of the year and an outflow in the second half of 1967 when the current account was in a surplus position. While the net capital influx contracted sharply between 1966 and 1967 the fall in the current account deficit to \$425 million was even more dramatic so that the balance of current and capital account transactions produced an increase of \$18 million in official monetary assets. In both 1966 and 1967 there were official transactions associated with the level of these assets which involved purchases of securities totalling about \$175 million in 1966 and \$60 million in 1967.

Capital Movements in Long-term Forms		
Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1965	+ 864	+ 1,131
1966	+ 1,019	+ 823
1967	+ 1,386	+ 1,628
1966 I Q ..	+ 462	+ 301
II Q ..	+ 226	+ 262
III Q ..	+ 219	+ 133
IV Q ..	+ 112	+ 127
1967 I Q ..	+ 307	+ 352
II Q ..	+ 258	+ 463
III Q ..	+ 301	+ 374
IV Q ..	+ 520	+ 439

Categories of transactions which led to the largest net inflows were particularly sales of new issues of Canadian securities followed by direct investment in Canada and long-term capital transactions n.i.e. in which repayments under the export credits programs and foreign bank loans to Canadian companies were prominent. The principal outflows arose from retirements of Canadian securities held abroad and Canadian net purchases of foreign securities. As noted above, government transactions associated with the level of official monetary assets fell to about \$60 million in 1967 from \$175 million in 1966. These transactions, to the extent that they involved repatriation of Government of Canada bonds are included in the total of retirements of Canadian securities while purchases of outstanding United States dollar issues of the International Bank for Reconstruction and Development are reflected in the trading in outstanding foreign securities. Sales of new issues of Canadian securities are taken into the balance of payments at the time of delivery. Offerings for later delivery were particularly high in 1967. The effect of adjusting the actual inflows to reflect the timing of security offerings is shown in the accompanying statement.

Foreign Currency Assets and Liabilities of Head Offices and Branches in Canada
of the Canadian Chartered Banks, 1965-1967

	Net Transactions							Amount end of 1967
	1965	1966	1967	I Q 67	II Q 67	III Q 67	IV Q 67	
	millions of dollars							
Assets with residents of:								
United States	- 207	208	273	- 366	116	254	269	2,392
Other countries	- 441	- 2	391	3	165	- 104	327	1,475
Total non-resident	- 648	206	664	- 363	281	150	596	3,867
Canada	(b) 276	84	- 110	- 19	- 73	- 1	- 17	901
Totals	- 372	290	554	- 382	208	149	579	4,768
Liabilities with residents of:								
United States	- 727	- 309	76	12	7	- 103	160	842
Other countries	505	48	188	- 123	215	21	75	1,756
Total non-resident	- 222	- 261	264	- 111	222	- 82	235	2,598
Canada - swapped deposits(1)	- 170	187	165	- 145	- 11	88	233	907
- other	63	214	199	- 44	- 20	58	205	1,086
Total Canada	(a) - 107	401	364	- 189	- 31	146	438	1,993
Totals	- 329	140	628	- 300	191	64	673	4,591
Net Assets with residents of:								
United States	520	517	197	- 378	109	357	109	1,550
Other countries	- 946	- 50	203	126	- 50	- 125	252	- 281
Total non-resident	- 426	467	400	- 252	59	232	361	1,269
Canada	383	- 317	- 474	170	- 42	- 147	- 455	- 1,092
Totals	(a) - 43	150	- 74	- 82	17	85	- 94	177

(1) Funds converted into a foreign currency, usually United States dollars, which have been placed on term deposit with a bank and which the bank has undertaken through a forward contract to convert back into Canadian dollars at maturity.

Note: This statement shows the effect on Canada's balance of payments of foreign currency banking operations of the Canadian Chartered Banks. As described on page 14 of the report for the second quarter of 1965, the amounts identified as (a) are embodied within item D 17.1 (e. g. this item in 1967 led to a net outflow of \$290 million, reflecting an increase of \$364 million in residents' holdings of foreign currency deposits with Canadian chartered banks in Canada and a decrease of \$74 million in the net foreign currency holdings of these institutions); the amount identified as (b) is embodied within items D 13 and D 17.5 (e.g. in 1967 as an aggregate outflow of \$110 million). The transactions figures are based on data published monthly in the Statistical Summary of the Bank of Canada, but have been adjusted so as to eliminate changes in value resulting from variations in exchange rates.

Capital movements in short-term forms led to an outflow of \$943 million, some \$700 million greater than in 1966. In keeping with the volatility of these movements many short-term accounts showed relatively large year-to-year changes. Among the larger changes were the fall in the outflow for the acquisition by Canadians of foreign currency bank deposits and other short-term funds abroad, the increase in the run-down of non-resident holdings of Canadian finance company paper and the reduction in the total of other new short-term liabilities to non-residents incurred by finance companies. The largest swing, however, was in all other transactions which includes changes in loans and in accounts receivable and payable as well as the balancing item representing the difference between direct measurements of the current and capital accounts.

The net capital inflow of \$443 million which occurred in 1967 was made up of outflows of \$400 million represented by increases by the chartered banks together with their domestic customers of net foreign currency claims on non-residents, and of inflows aggregating \$843 million from all other capital transactions. The net banking outflows of \$400 million were divided about equally between the United States and other countries. Details appear in an accompanying statement. Foreign currency deposits were attracted both from residents of the United States and of other countries as a group, but the growths of foreign currency assets in the United States and other countries were in each case larger. These growths reflected the high levels of short-term interest rates prevailing in world money markets and the influence of forward exchange rate differentials. While foreign currency operations of the chartered banks contracted in the first quarter of 1967, they rose sharply thereafter when there net outflows from Canada in each quarter reinforced by substantial increases in deposits attracted from non-residents in the second and fourth quarters. At the end of the year the Canadian chartered banks had a net short spot foreign currency position overseas of \$281 million and a net long spot foreign position in the United States of \$1,550 million. In effect they had been the medium for the channelling of \$281 million from overseas countries to the United States. The net foreign currency claims on non-residents of \$1,269 million comprised net spot positions of \$177 million of the banks and of \$1,092 million of their Canadian customers.

Direct Investment

Net inflows for long-term direct investment in foreign-controlled enterprises moderated to \$540 million in 1967 down \$170 million from 1966's record \$710 million. This result reflected a reduction in inflows from the United States partially offset by increased investment from overseas countries which almost doubled in the period. Approximately four fifths of the 1967 inflow came from the United States while the bulk of the remainder represented investment by continental European countries. As in the past there were a number of transactions associated with the acquisition or disposition of existing assets. Prominent among these were the acquisition of a controlling interest in a large Canadian mining complex by a United States corporation and, conversely, the repatriation from United States ownership of a major interest in a Canadian corporation in the beverage field. On balance, transactions of this type accounted for about one tenth of the total estimated inflow with the rest directed to new capital formation and normal working capital requirements.

Manufacturing enterprises in particular those engaged in the production of pulp, paper and electrical equipment received a large portion of the total inflow while significant parts also went to the mining and petroleum and natural gas industries. After allowing for the takeover referred to above a substantial portion of foreign direct investment in the Canadian mining industry went into the potash segment of that industry.

Preliminary annual estimates of the flow of capital from Canada for direct investment abroad totalled \$50 million in 1967 compared with \$20 million in 1966 and \$125 million in 1965. The decline from 1965 to 1966 largely reflected a special transaction involving the sale of its foreign subsidiary by a Canadian corporation in the petroleum industry. Several special transactions which resulted in a substantial return of capital to Canada also occurred in 1967 particularly in the second and fourth quarters. Canadian manufacturing activities in overseas countries continued to be the largest recipients of capital, but a diverse group of other industries also participated.

Security Transactions

Among factors influencing international security transactions in 1967 was the continuance of high interest rates in both Canada and other countries. International, political and financial developments no doubt also affected the evaluation by investors of different classes of both foreign and Canadian securities. In the case of United States investors these influences appear to have outweighed in some degree the factor of the United States interest equalization tax. (Purchases by United States residents from residents of Canada of most outstanding Canadian securities have been subject to an interest equalization tax since the middle of 1963. This tax which was set originally

at 15 per cent in respect of equities and long-term bonds was revised to 22 1/2 per cent as of January 1967 and later lowered to 18 3/4 per cent at the end of August). In addition the Government of Canada again effected security transactions in accordance with the understanding regarding the appropriate level of its exchange reserves reached with United States. These involved purchases from United States residents of outstanding obligations of the Government of Canada and of the International Bank for Reconstruction and Development.

The inflow from transactions in portfolio securities between Canada and other countries rose in 1967 to \$567 million up 90 per cent from \$298 million in 1966. The United States again was the sole net source of portfolio security capital while transactions with the United Kingdom and other foreign countries gave rise to net outflows of \$90 million and \$1 million respectively. The sales balance with the United States amounted to \$658 million, almost 70 per cent above the previous year's \$391 million.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year			1966	1967			
	1965	1966	1967	IV Q	I Q	II Q	III Q	IV Q
millions of dollars								
Canadian securities:								
Outstanding - Bonds	+ 55	- 103	- 56	- 15	- 10	- 23	- 9	- 14
Stocks	- 274	- 137	+ 17	- 44	- 52	- 15	+ 30	+ 54
New issues	+ 1,240	+ 1,463	+ 1,310	+ 209	+ 332	+ 296	+ 271	+ 411
Retirements	- 390	- 502	- 356	- 140	- 57	- 138	- 61	- 100
Foreign securities:								
Outstanding issues	- 53	- 355	- 294	- 91	- 33	- 43	- 111	- 107
New issues	- 57	- 85	- 64	- 9	- 25	- 11	- 15	- 13
Retirements	+ 25	+ 17	+ 10	+ 4	+ 2	+ 2	+ 2	+ 4
Totals, all countries ...	+ 546	+ 298	+ 567	- 86	+ 157	+ 68	+ 107	+ 235
United States	+ 624	+ 391	+ 658	- 56	+ 197	+ 108	+ 134	+ 219
United Kingdom	- 61	- 20	- 90	- 15	- 22	- 28	- 24	- 16
Other countries	- 17	- 73	- 1	- 15	- 18	- 12	- 3	+ 32

The accompanying statement shows that the \$269 million increase in the overall capital inflow between 1966 and 1967 resulted mainly from a swing of \$154 million from trading in outstanding Canadian equities and a decrease of \$146 million for the retirement of Canadian securities. These movements were further augmented by reductions of \$47 million in outflows for the repatriation of Canadian bonds and debentures and \$75 million for the acquisition of foreign securities. The decline of \$153 million in sales abroad of Canadian new issues had a reverse effect.

The proceeds from sales to non-residents of Canadian new issues during 1967 at \$1,310 million were the second largest ever recorded, down about 10 per cent from the 1966 high of \$1,463 million. Sales to non-residents of new issues of stocks and of all main categories of bonds declined except for those issued by provincial governments which leaped to \$766 million, about 70 per cent above the previous year. This was in sharp contrast to new corporate funded debt sold abroad which declined almost 60 per cent in 1967. Over one half of the provincial total was in guaranteed issues, particularly those of hydro-electricity agencies.

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Un- delivered(1)
millions of dollars			
1965	1,452	1,185	318
1966	1,162	1,358	122
1967	1,460	1,218	364
1966 I Q ...	351	512	157
II Q ...	386	350	193
III Q ...	215	301	107
IV Q ...	210	195	122
1967 I Q ...	357	312	167
II Q ...	487	282	372
III Q ...	330	257	445
IV Q ...	286	367	364

(1) At end of period.

Total bond offerings of \$1,460 million to residents of the United States were the highest on record, fractionally above the 1965 figure and up almost \$300 million from the 1966 level. It should be noted, however, that a portion of new Canadian issues placed with United States underwriters is sometimes resold to residents of other foreign countries. Offerings in 1967 peaked to a second quarter total of \$487 million then fell substantially in succeeding periods to a level of \$286 million in the final quarter of the year. Large portions of these offerings were for later delivery, and the undelivered balances of outstanding offerings particularly after the first quarter of 1967 remained at exceedingly high levels and closed the year at \$364 million, just \$3 million short of the total sales of new Canadian bonds to United States residents in the fourth quarter.

Retirements of Canadian securities dropped to \$356 million from \$502 million in 1966. The most significant factor in this decline was the contraction in retirements of direct issues of the Government of Canada from \$203 million in 1966 to \$87 million in 1967. If, however, amounts repurchased in the two years by the Government of Canada in special trans-

actions associated with adjustments to Canada's exchange reserve position are abstracted from this comparison the level of these retirements is virtually unchanged. Retirements of municipal bonds held by non-residents also fell sharply from an unusually high total of \$96 million in 1966 to a more normal \$51 million in 1967.

New foreign securities purchased by Canadians gave rise to an outflow of \$64 million down one-quarter from the 1966 amount. Purchases of new United States securities led to an outflow of \$38 million. The bulk of the remainder was accounted for by the first quarter placement in Canada of a new issue of the International Bank for Reconstruction & Development. Retirements were also moderately lower.

The capital outflow due to Canada's trade in outstanding portfolio securities fell to \$333 million in 1967, a drop of nearly 45 per cent from the corresponding 1966 figure of \$595 million. The main reason for this change was a swing of \$154 million in the trading balance for Canadian equities from an outflow of \$137 million in 1966 to an inflow of \$17 million in 1967. With the United States alone this swing was from net outflows of \$95 million in 1966 and net inflows of \$83 million. A part of this balance was occasioned by the sale of a large block of outstanding shares of a Canadian mining company to a financial organization. Another factor may have been the increase in unsettling political and financial conditions in the world in 1967 and a consequent rediscovery by foreign investors of some groups of Canadian securities. Many of these securities are interlisted on Canadian and United States stock exchanges and are also exempt from the interest equalization tax. A net outflow of \$56 million was recorded for the repatriation of outstanding Canadian bonds and debentures, a decline of \$47 million from 1966. Almost three quarters of this outflow was due to trading in Government of Canada direct and guaranteed bonds. Net acquisitions by Canadians of outstanding foreign securities totalled \$294 million, down \$61 million from the previous year. A drop of \$94 million in the outflow for the purchase of United States equities more than accounted for this change. Special transactions involving the purchase by the Government of Canada of bonds of the International Bank for Reconstruction and Development led to outflows of about \$20 million in 1967 and almost \$30 million in 1966.

After accounting for retirements, non-residents purchased a net \$915 million of new and outstanding Canadian issues or the equivalent of 27 per cent of the net new supply (excluding amounts absorbed by funds generated by the Canada and Quebec pension plans) compared with 23 per cent in 1966. In 1967 net new issues of direct and guaranteed bonds of the Government of Canada totalled some \$614 million, an increase of \$204 million over the previous year. Non-resident holdings, however, were reduced in both years - \$254 million in 1966 and \$123 million in 1967. On balance, non-residents acquired almost 38 per cent of other Canadian securities, up three percentage points from the previous year.

A more detailed review of international security movements in 1967 will be found in the December issue of "Sales and Purchases of Securities Between Canada and Other Countries" (D.B.S. Catalogue No. 67-002) which also contains information relating to international transactions in Canadian short-term money market instruments.

Other Capital Flows in Long-term Forms

Canadian Government non-military assistance abroad in 1967 took the form largely of payments of the regular assessments by international organizations of which Canada is a member, official contributions, intergovernmental loans, subscriptions to the capital of international investment agencies and the extension or guarantee of export credits. Assessments and contributions both form a part of Canada's payments on current account, while other transactions, to the extent to which they give rise to claims on non-residents, are mainly reflected in capital movements in long-term forms.

Intergovernmental loans extended by Canada during 1967 doubled to \$22 million as amounts previously committed for specific projects under the development loan program were drawn by the recipient countries. Disbursements may be expected to grow in succeeding years as drawings so far constitute only a fraction of the aid commitments.

Subscriptions to the capital of international agencies totalled \$16 million in 1967 made up of \$15 million to the International Development Association and a little over \$1 million to the Asian Development Bank. The subscriptions to these two organizations were paid in the form of non-negotiable, non-interest bearing Canadian dollar demand notes. Changes in these obligations are reflected in item D14.2 of the capital account covering Government of Canada demand liabilities.

During the year Canada is shown as having received \$34 million on intergovernmental loans extended earlier, up \$10 million from the previous year. This increase was accounted for by the transfer of the balance of a loan to India to the official contributions account. Abstracting this special transaction, repayments remained constant in the two years as another \$19 million instalment was received from the United Kingdom and the bulk of the remainder came from India and Belgium. In addition to the repayments of principal there were receipts of \$25 million on account of interest in 1967 which form part of the item in the current account covering Canada's receipts of interest and dividends.

Receipts associated with the Columbia River Treaty arrangements totalled \$44 million in 1967, an increase of \$12 million over 1966. This increase represented the first flood control payment received from the United States under the terms of the treaty. In addition there was a further annual maturity of U.S. \$30 million of the medium-term non-marketable United States Government securities acquired by the Canadian Government under the arrangements which resulted in a net inflow of \$32 million expressed in Canadian funds. Holdings of these securities stood at U.S. \$113.9 million at the end of 1967.

The remaining capital movements in long-term forms in 1967 led to a net inflow of \$289 million compared with a net inflow of \$10 million in the preceding year. As can be seen from the accompanying statement the main reason for the sharp increase were large net repayments of export credits extended from Canada directly or indirectly at risk of the Government of Canada in connection with the sale of wheat. Net outflows for export credits associated with the sale of other commodities increased to \$21 million in 1967 from \$9 million in 1966. All other types of long-term capital transactions which include bank and other long-term loans, mortgage investments and movements of insurance funds resulted in a net inflow of \$182 million. The largest part of this inflow represented borrowing from foreign banks by Canadian corporations.

Capital Movements in Short-term Forms

Capital movements in short-term forms (apart from changes in official holdings of gold, foreign exchange and Canada's balance with the International Monetary Fund) led on balance to a net capital outflow of \$943 million, some \$700 million larger than in 1966.

Canadian dollar deposits of non-residents rose by \$23 million over the year. Geographically United States and United Kingdom residents decreased their holdings by \$2 million and \$6 million respectively, while residents of other countries increased their holdings by \$31 million. At the year-end deposit liabilities to non-residents aggregated about \$600 million, with residents of the United States, the United Kingdom and other countries holding some \$370 million, \$65 million and \$165 million respectively. Government of Canada demand liabilities payable to non-residents decreased by \$3 million

Detail of Long-term Capital Transactions n.i.e.
Item D13

Year and quarter	Export credits(1)						Other transactions	Total
	Wheat			Other commodities				
	Advances	Repayments	Net	Advances	Repayments	Net		
	millions of dollars							
1965	- 175	+ 22	- 153	- 77	+ 43	- 34	+ 67	- 120
1966	- 191	+ 153	- 38	- 65	+ 56	- 9	+ 57	+ 10
1967	- 91	+ 219	+ 128	- 59	+ 38	- 21	+ 182	+ 289
1966 I Q	- 29	+ 13	- 16	- 16	+ 9	- 7	+ 24	+ 1
II Q	- 39	+ 48	+ 9	- 16	+ 24	+ 8	+ 27	+ 44
III Q	- 70	+ 34	- 36	- 14	+ 15	+ 1	+ 24	- 11
IV Q	- 53	+ 58	+ 5	- 19	+ 8	- 11	- 18	- 24
1967 I Q	- 27	+ 46	+ 19	- 12	+ 10	- 2	+ 30	+ 47
II Q	- 39	+ 95	+ 56	- 14	+ 8	- 6	+ 5	+ 55
III Q	- 24	+ 42	+ 18	- 10	+ 11	+ 1	+ 63	+ 82
IV Q	- 1	+ 36	+ 35	- 23	+ 9	- 14	+ 84	+ 105

(1) Export credits extended from Canada directly or indirectly at risk of the Government of Canada.

in 1967. The amount outstanding was approximately \$30 million, entirely in the form of interest-free demand notes issued to international investment agencies. (Balances of certain deposit and trust accounts of the United States government with the Government of Canada, previously included in this account, have been transferred to item D17.5 from the beginning of 1967. The amount involved was not statistically significant). Holdings by non-residents of Canadian treasury bills increased by \$4 million in 1967. Private non-residents were on the whole net sellers of these instruments while foreign official institutions were net purchasers.

Composition of "Other Capital Movements"
(A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1965	1966	1967	1966	1967				
				IV Q	I Q	II Q	III Q	IV Q	
millions of dollars									
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	+ 138	- 601	- 323	- 97	+ 332	+ 38	- 316	- 377	
17.2 Canadian commercial paper, etc.	+ 10	-	+ 12	+ 5	- 6	+ 5	+ 1	+ 12	
17.3 Canadian finance company paper	- 162	- 4	- 49	+ 29	+ 7	- 24	- 55	+ 23	
17.4 Canadian finance company obligations, n.i.e.	+ 209	+ 154	+ 34	+ 87	- 17	+ 11	- 31	+ 71	
17.5 All other transactions(1)	+ 183	+ 210	- 640	+ 241	- 377	- 37	- 55	- 171	
Total (Item D 17)	+ 378	- 241	- 966	+ 265	- 61	- 7	- 456	- 442	

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

An increase by Canadian residents of their holdings of bank balances and other short-term funds abroad produced a net capital outflow of \$323 million, less than 55 per cent of the comparable 1966 outflow. Substantial outflows to augment these holdings recorded in the third and fourth quarters of the year overshadowed reductions which occurred in the first two quarters. The close link between this account and the highly volatile Eurodollar market makes it extremely susceptible to unstable political, economic and financial international situations which find expression in interest rate structures and foreign exchange rate differentials. The pervasive effects of the continuing balance of payments difficulties of the United States and of the United Kingdom which culminated in the November devaluation of the pound sterling were important factors influencing this market. Residents increased their holdings of both swapped and uncovered foreign currency deposits in 1967 but at a lower rate than in 1966.

Non-residents reduced their holdings of Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) by \$49 million in 1967. There was a net outflow of \$60 million to United States residents while overseas residents, following the pattern of recent years, increased their holdings by \$11 million. At December 1967 non-resident holdings of approximately \$260 million represented almost 30 per cent of the total short-term paper issued by Canadian finance companies.

Transactions in other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies) led on balance to an inflow of \$34 million, down \$120 million from the comparable 1966 figure. In addition there were other finance company transactions not identified separately which have been included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. All in all, capital flows associated with the international borrowing of these companies were virtually in balance in 1967. Net outflows of about \$10 million, \$15 million and \$75 million were recorded successively in the first three quarters of 1967 followed by a net inflow of almost \$100 million in the fourth quarter.

International transactions in Canadian commercial paper (including bankers' acceptances) led to a net capital outflow of \$13 million following an inflow of \$12 million in 1966. The gross volume of transactions in these instruments which expanded rapidly in 1966, usually for very short-term employment of the funds, declined distinctly in the second half of 1967. Non-residents increased their holdings of other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) by \$25 million in 1967.

A primary factor influencing these international flows is the extent of short-term interest rate differentials between the major financial centres of the world. Other factors affecting instruments negotiated in this money market are term, currency, credit risk, etc., as well as the character, requirements and relationships of borrowers and lenders. Hence when considering this market, and its capital flows, a wide variety of interest differentials could be appropriate. Treasury bill yields are one such measure for which published data are readily available. However, as the volume of international transactions in Canadian treasury bills has declined in importance in recent years, while the trends shown in treasury bill yields probably apply generally to other interest rates, these rates are not necessarily those at which the bulk of short-term funds move.

Before provision of forward exchange cover the yield differential on 3 month Canadian and United States treasury bills (on the United States quotation basis) varied in 1967 from a 92 basis points spread in favour of Canada on December 22nd to 16 basis points in favour of the United States at September 22nd. Yield differentials with forward exchange cover moved more in favour of the United States varying from a 67 basis points advantage for Canadian bills on June 23rd to a 134 basis points spread in favour of United States treasury bills at September 22nd, 1967. However, while interest rate differentials provide a major incentive to the movement of arbitrage capital, other considerations including the handling costs of such transactions may be sufficient to offset the more narrow differentials.

While treasury bill yields are indicative of the movements of short-term interest rates, the bulk of non-resident short-term funds are invested in other money market instruments, particularly Canadian finance company paper. Interest rates paid by the large finance companies for 3 to 6 month paper started 1967 at about 6 1/2 per cent, fell to just under 5 per cent in April, then, after staying at 5 1/2 per cent during most of the summer rose rapidly towards the year-end to close at 6 1/2 per cent. The Bank Rate which started the year at 5 1/4 per cent, was successively lowered to 5 per cent in January and 4 1/2 per cent in April then subsequently raised to 5 per cent in September and 6 per cent in November.

Long-term interest rates advanced in 1967 to unprecedented high levels in both Canada and the United States. Over the year the yield on comparable representative long-term government bonds rose 74 basis points in Canada and 80 basis points in the United States. Interest rate differentials between these bonds varied from about 1 1/3 per cent in January to just under 1 per cent in May. Common stock prices in Canada (as measured by the D.B.S. Investors Index) rose some 13 per cent during the year. United States common stock prices (as measured by Standard and Poor's "500" Index) increased about 20 per cent in the same period.

All other capital movements led to a net capital outflow of \$640 million compared with an inflow of \$210 million in 1966. Prominent among the changes were swings to repayments by Canadian borrowers of foreign currency bank loans and to net reductions of intercompany accounts which had been built up in 1966. This account also includes the balancing item representing the difference between direct measurements of the current and capital accounts.

Official Holdings of Gold and Foreign Exchange

Canada's official holdings of gold and foreign exchange rose moderately during 1967, but Canada's net balance with the International Monetary Fund fell, and Canada's net international monetary assets in these forms rose on balance by \$18 million. The quarterly changes were also relatively small. In 1966 Canada's net international monetary assets in these forms were reduced by \$359 million. In each year there were significant transactions involving the repatriation of outstanding Government of Canada debt or the acquisition of outstanding obligations of the International Bank for Reconstruction and Development which may be associated with the levels. These transactions involved net outflows of about \$60 million in 1967 and about \$175 million in 1966.

The increase in official holdings of gold and United States dollars during the year amounted to \$34 million, expressed in Canadian funds, while corresponding holdings of sterling, which are compared to working balances, were little changed. Official holdings of gold and United States dollars, expressed in terms of United States funds, amounted to \$2,268 million at the year end, \$32 million higher than at the beginning. Month end variations were relatively small, reaching a low point of \$2,194 million in February and a high of \$2,303 million in October which coincided with the closing of Expo and the peak period of travel receipts. During the year Canada sold to the United States \$150 million of gold to support the United States dollar. Sales of \$50 million occurred in April and \$100 million in December. These transactions did not in themselves affect the total level of Canada's official holdings of gold and foreign exchange.

Canada's net balance or reserve position with the International Monetary Fund amounted to \$433 million expressed in United States funds at the end of the year, \$15 million lower than at the beginning. Month-end variations were small; the total reached a high of \$468.5 million in January which remained unchanged until April. The total represents the net resources made available by Canada to the IMF and may be drawn by Canada virtually automatically on statement of balance of payments need. Although Canada would then be under an obligation to restore the figure to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

United States Dollar in Canada

Exchange Holdings and IMF Balance

Period	High	Low	Close	Noon average	End of period	Official holdings of gold and United States dollars	Net balance with Inter- national Monetary Fund
Canadian cents					millions of United States dollars		
1966	I Q ..	107.81	107.34	107.72	107.58	1966	I Q 2,510 379
	II Q ..	107.88	107.53	107.53	107.67		II Q 2,342 438
	III Q ..	107.78	107.34	107.78	107.54		III Q 2,244 457
	IV Q ..	108.41	107.78	108.38	108.15		IV Q 2,236 448
1967	I Q ..	108.34	107.75	108.25	108.07	1967	I Q 2,203 468
	II Q ..	108.34	107.88	107.97	108.16		II Q 2,169 452
	III Q ..	108.00	107.34	107.41	107.63		III Q 2,221 454
	IV Q ..	108.13	107.25	108.06	107.61		IV Q 2,268 433
	Oct. ...	107.56	107.25	107.34	107.33		Oct. 2,303 452
	Nov. ...	108.00	107.25	108.00	107.51		Nov. 2,277 433
	Dec. ...	108.13	107.84	108.06	108.02		Dec. 2,268 433

Note: The table of exchange holdings does not include holdings of the Government of Canada at December 31, 1967 of \$114 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold		
								Total liabi- lities	
millions of United States dollars									
1947-1964	550.0	15.0	565.0	427.5	54.3	- 148.3	34.0	367.5	197.5
1965		35.0	600.0	35.0		- 183.4	27.5	246.6	353.4
1966	190.0		790.0	142.5		- 47.6		341.5	448.5
1967		- 15.0	775.0	- 15.0		15.1		341.6	433.4
1967 I Q			790.0			- 20.0		321.5	468.5
II Q		- 15.0	775.0	- 15.0		16.1		322.6	452.4
III Q			775.0			- 1.3		321.3	453.7
IV Q			775.0			20.3		341.6	433.4

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow (GAB). The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

Note: The statement is expressed in Canadian dollars.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

TABLE 2. Annual Estimates of the Canadian Balance of International Payments, 1965 and 1966

No.	Account	All countries		United States		United Kingdom		Other sterling area		Other OECD Europe		All other countries	
		1965	1966 ^P	1965	1966 ^P	1965	1966 ^P	1965	1966 ^P	1965	1966 ^P	1965	1966 ^P
		millions of dollars											
A	Current receipts:												
1	Merchandise exports (adjusted)	8,745	10,326	4,993	6,249	1,184	1,133	531	576	840	893	1,197	1,475
2	Mutual Aid to NATO countries	39	18	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	138	125	138	125	—	—	—	—	—	—	—	—
4	Travel expenditures	747	840	660	730	34	39	9	12	27	36	17	23
5	Interest and dividends	322	323	204	193	44	36	46	54	11	11	17	29
6	Freight and shipping	668	756	337	411	132	121	44	41	82	92	73	91
7	Inheritances and immigrants' funds	216	268	91	106	55	81	21	24	35	40	14	17
11	All other current receipts	645	703	409	433	109	110	21	28	62	69	44	63
12	Total current receipts	11,520	13,359	6,832	8,247	1,558	1,520	672	735	1,057	1,141	1,362	1,698
B	Current payments:												
1	Merchandise imports (adjusted)	8,627	10,102	6,034	7,242	624	664	385	449	707	821	877	926
4	Travel expenditures	796	903	548	631	89	94	27	29	106	120	26	29
5	Interest and dividends	1,086	1,135	906	977	114	97	2	1	61	57	3	3
6	Freight and shipping	761	825	465	531	86	88	11	11	159	156	40	39
7	Inheritances and emigrants' funds	211	198	160	145	30	30	4	4	13	13	4	6
9	Official contributions	93	162	—	—	—	—	73	138	1	1	19	23
10	Mutual Aid to NATO countries	39	18	..	..	..	..	..	..	..	..	..	..
11	All other current payments	1,037	1,153	656	738	110	126	32	32	172	183	67	74
12	Total current payments	12,650	14,496	8,769	10,264	1,053	1,099	534	664	1,219	1,351	1,036	1,100
C	Current account balance:												
1	Merchandise trade	118	224	-1,041	- 993	560	469	146	127	133	72	320	549
2	Other transactions, excluding B9	-1,155	-1,199	- 896	-1,024	-55	- 48	65	82	-294	-281	25	72
3	Official contributions	- 93	- 162	—	—	—	—	-73	-138	- 1	- 1	- 19	- 23
4	Totals	-1,130	-1,137	-1,937	-2,017	505	421	138	71	-162	-210	326	598
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada.....	535	710	421	644	46	- 1	3	5	66	47	- 1	15
2	Direct investment abroad.....	- 125	- 20	- 24	67	- 38	- 20	-42	- 45	- 17	- 18	- 4	- 4
	Canadian securities:												
3.1	Trade in outstanding bonds and debentures	55	- 103	21	- 72	- 3	- 12	—	—	31	- 1	6	- 18
3.2	Trade in outstanding common and preference stocks.....	- 274	- 137	- 195	- 95	- 50	- 25	—	—	- 29	- 17	—	—
4	New issues	1,240	1,463	1,200	1,408	15	35	1	—	24	20	—	—
5	Retirements	- 390	- 502	- 330	- 456	- 23	- 14	—	—	- 29	- 32	- 8	—
6,7,8	Foreign securities	- 85	- 423	- 72	- 394	- 1	- 4	- 5	1	- 1	- 11	- 6	- 15
	Loans and capital subscriptions by Government of Canada:												
9	Advances, etc.	- 14	- 35	—	—	—	—	- 1	- 11	—	—	- 13	- 24
10	Repayments to Canada.....	10	24	—	—	—	19	8	3	2	2	—	—
11	Columbia River Treaty, net.....	32	32	32	32	—	—	—	—	—	—	—	—
13	Long term capital transactions n.i.e.	- 120	10	52	66	- 5	- 4	- 27	- 31	12	28	-152	- 49
	Change in Canadian dollar holdings of foreigners:												
14.1	Deposits.....	31	10	5	17	16	4	- 2	2	8	- 5	4	- 8
14.2	Government of Canada demand liabilities.....	2	5	2	1	—	—	—	—	—	—	4	6
14.3	Canadian treasury bills	12	- 15	7	- 1	- 1	1	—	—	- 1	—	7	- 15
17	Other capital movements	378	- 241	- 678	- 177	537	74	49	- 8	213	- 91	257	- 39
E	Net capital movement (excluding monetary items shown below) in:												
1	Long-term forms (D 1 to D 13)	864	1,019	1,105	1,200	- 59	- 26	- 63	- 78	59	18	-178	- 95
2	Short-term forms (D14 to D 17)	423	- 241	- 668	- 162	552	79	47	- 6	220	- 96	272	- 56
3	Totals	1,287	778	437	1,038	493	53	- 16	- 84	279	- 78	94	-151
G	Balance settled by exchange transfers	—	—	1,543	496	-1,052	-453	-122	13	-117	288	-252	-344
II	Official monetary movements in the form of:												
C-E-G	Change in official holdings of gold and foreign exchange	- 11	- 462	43	- 483	- 54	21	—	—	—	—	—	—
2	Change in net International Monetary Fund positions	168	103	—	—	—	—	—	—	—	—	168	103
3	Other special international financial assistance	—	—	—	—	—	—	—	—	—	—	—	—

Notes:

- A 2, B 10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.
- D A minus sign indicates an outflow of capital from Canada. Data supersede those published in the last annual report on "The Canadian Balance of International Payments, and International Investment Position" and previous quarterly publications (Catalogue Nos. 67-201 and 67-001).
- D 17 Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.
- P Preliminary estimate.

TABLE 3. Quarterly Estimates of the Canadian Balance of International Payments, 1965 and 1966
BETWEEN CANADA AND THE UNITED STATES

No.	Account	1965				1966 ^P			
		I	II	III	IV	I	II	III	IV
		millions of dollars							
	Current receipts:								
1	Merchandise exports (adjusted)	1,070	1,271	1,269	1,383	1,353	1,601	1,542	1,753
3	Gold production available for export	35	34	35	34	34	29	30	32
4	Travel expenditures	53	133	375	99	64	156	403	107
5	Interest and dividends	41	52	42	69	47	45	35	66
6	Freight and shipping	67	85	94	91	78	103	116	114
7	Inheritances and immigrants' funds	15	24	29	23	17	27	38	24
11	All other current receipts	99	102	105	103	107	108	110	108
12	Total current receipts	1,380	1,701	1,949	1,802	1,700	2,069	2,274	2,204
	Current payments:								
1	Merchandise imports (adjusted)	1,376	1,547	1,422	1,689	1,646	1,927	1,685	1,984
4	Travel expenditures	118	158	181	91	141	173	211	106
5	Interest and dividends	204	208	184	310	207	217	191	362
6	Freight and shipping	81	121	131	132	102	140	149	140
7	Inheritances and emigrants' funds	35	36	44	45	29	32	41	43
9	Official contributions	—	—	—	—	—	—	—	—
11	All other current payments	161	163	162	170	176	185	182	195
12	Total current payments	1,975	2,233	2,124	2,437	2,301	2,674	2,459	2,830
	Current account balance:								
1	Merchandise trade	-306	-276	-153	-306	-293	-326	-143	-231
2	Other transactions, excluding B9	-289	-256	- 22	-329	-308	-279	- 42	-395
3	Official contributions	—	—	—	—	—	—	—	—
4	Totals	-595	-532	-175	-635	-601	-605	-185	-626
	Capital account:								
	Direct investment:								
1	Direct investment in Canada	103	107	88	123	109	192	130	213
2	Direct investment abroad	- 44	54	- 16	- 18	- 15	- 9	102	- 11
	Canadian securities:								
3.1	Trade in outstanding bonds and debentures	4	5	15	- 3	- 9	- 31	- 20	- 12
3.2	Trade in outstanding common and preference stocks	- 61	- 58	- 21	- 55	- 5	- 30	- 29	- 31
4	New issues	294	330	280	296	555	351	304	198
5	Retirements	- 58	-161	- 44	- 67	-104	-151	- 80	-121
6,7,8	Foreign securities	- 24	- 24	- 18	- 6	- 60	-116	-128	- 90
	Loans and capital subscriptions by Government of Canada:								
9	Advances, etc.	—	—	—	—	—	—	—	—
10	Repayments to Canada	—	—	—	—	—	—	—	—
11	Columbia River Treaty, net	—	—	—	32	—	—	—	32
13	Long-term capital transactions n.i.e.	42	2	1	7	38	46	20	- 38
	Change in Canadian dollar holdings of foreigners:								
14.1	Deposits	24	- 27	- 19	27	- 4	- 6	20	7
14.2	Government of Canada demand liabilities	- 1	- 1	—	—	- 1	—	—	—
14.3	Canadian treasury bills	5	- 2	—	4	- 7	2	3	1
17	Other capital movements	-277	-220	-299	118	45	17	-290	51
	Net capital movement (excluding monetary items shown below) in:								
1	Long-term forms (D1 to D13)	256	255	285	309	509	252	299	140
2	Short-term forms (D14 to D17)	-249	-250	-318	149	33	13	-267	59
3	Totals	7	5	- 33	458	542	265	32	199
	Balance settled by exchange transfers	431	528	353	231	-107	159	21	423
+ E + G	Official monetary movements in the form of:								
1	Change in official holdings of gold and foreign exchange	-157	1	145	54	-166	-181	-132	- 4
2	Change in net International Monetary Fund position	—	—	—	—	—	—	—	—
3	Other special international financial assistance	—	—	—	—	—	—	—	—

^P Preliminary estimate.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1967 are preliminary and data for 1966 are subject to revision

No.		1965	1966			
		IV	I	II	III	IV
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,465	2,223	2,602	2,695	2,806
3	Gold production available for export	34	34	29	30	32
4	Travel expenditures	111	74	184	455	127
5	Interest and dividends	103	71	81	55	116
6	Freight and shipping	182	156	185	209	206
7	Inheritances and immigrants' funds	52	44	71	86	67
11	All other current receipts	171	171	172	180	180
12	Total current receipts	3,118	2,773	3,324	3,710	3,534
B	Current payments:					
1	Merchandise imports (adjusted)	2,442	2,213	2,651	2,472	2,766
4	Travel expenditures	144	191	240	314	158
5	Interest and dividends	357	247	250	230	408
6	Freight and shipping	210	169	212	225	219
7	Inheritances and emigrants' funds	58	36	44	60	58
9	Official contributions	18	33	14	82	33
11	All other current payments	268	280	288	286	299
12	Total current payments	3,497	3,169	3,699	3,669	3,941
C	Current account balance:					
1	Merchandise trade	+ 23	+ 10	- 49	+ 223	+ 40
2	Other transactions, excluding B 9	- 384	- 373	- 312	- 100	- 414
3	Official contributions	- 18	- 33	- 14	- 82	- 33
4	Total	- 379	- 396	- 375	+ 41	- 407
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 149	+ 128	+ 212	+ 147	+ 223
2	Direct investment abroad	- 46	- 22	- 39	+ 76	- 35
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	+ 4	- 13	- 25	- 50	- 15
3.2	Trade in outstanding common and preference stocks	- 68	- 14	- 44	- 35	- 44
4	New issues	+ 311	+ 578	+ 359	+ 317	+ 209
5	Retirements	- 81	- 113	- 158	- 91	- 140
6,7,8	Foreign securities	- 13	- 79	- 122	- 126	- 96
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	- 14	- 6	- 3	- 9	- 17
10	Repayments to Canada	+ 2	+ 2	+ 2	+ 1	+ 19
11	Columbia River Treaty, net	+ 32	-	-	-	+ 32
13	Long-term capital transactions n.i.e.	- 23	+ 1	+ 44	- 11	- 24
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	+ 49	- 15	- 8	+ 21	+ 12
14.2	Government of Canada demand liabilities	+ 12	- 6	- 2	+ 5	+ 8
14.3	Canadian treasury bills	- 3	- 8	-	+ 2	- 9
17	Other capital movements	+ 70	- 175	+ 42	- 373	+ 265
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 253	+ 462	+ 226	+ 219	+ 112
2	Short-term forms (D14 to D17)	+ 128	- 204	+ 32	- 345	+ 276
3	Total	+ 381	+ 258	+ 258	- 126	+ 388
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	+ 55	- 166	- 181	- 105	- 10
2	Change in net International Monetary Fund position	- 53	+ 28	+ 64	+ 20	- 9
3	Other special international financial assistance	-	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1967 are preliminary and data for 1966 are subject to revision

1967				Annual totals				No.
I	II	III	IV	1964	1965	1966	1967	
millions of dollars								
2,609	3,018	2,703	3,055	8,238	8,745	10,326	11,385	A
32	28	26	26	145	138	125	112	1
82	346	708	168	662	747	840	1,304	3
62	54	63	102	332	322	323	281	4
169	214	208	213	644	668	756	804	5
60	96	106	75	169	216	268	337	6
197	182	170	173	557	645	703	722	7
3,211	3,938	3,984	3,812	10,747	11,481	13,341	14,945	11
								12
2,513	3,014	2,616	2,762	7,537	8,627	10,102	10,905	B
209	230	278	160	712	796	903	877	1
242	269	263	375	1,010	1,086	1,135	1,149	4
176	232	224	223	679	761	825	855	5
42	47	65	59	201	211	198	213	6
52	76	20	29	69	93	162	177	7
293	318	294	289	963	1,037	1,153	1,194	9
3,527	4,186	3,760	3,897	11,171	12,611	14,478	15,370	11
								12
+ 96	+ 4	+ 87	+ 293	+ 701	+ 118	+ 224	+ 480	C
- 360	- 176	+ 157	- 349	- 1,056	- 1,155	- 1,199	- 728	1
- 52	- 76	- 20	- 29	- 69	- 93	- 162	- 177	2
- 316	- 248	+ 224	- 85	- 424	- 1,130	- 1,137	- 425	3
								4
+ 125	+ 145	+ 140	+ 130	+ 270	+ 535	+ 710	+ 540	D
- 30	- 10	- 20	+ 10	- 95	- 125	- 20	- 50	1
- 10	- 23	- 9	- 14	+ 77	+ 55	- 103	- 56	2
- 52	- 15	+ 30	+ 54	- 98	- 274	- 137	+ 17	3.1
+ 332	+ 296	+ 271	+ 411	+ 1,100	+ 1,240	+ 1,463	+ 1,310	3.2
- 57	- 138	- 61	- 100	- 382	- 390	- 502	- 356	4
- 56	- 52	- 124	- 116	- 52	- 85	- 423	- 348	5
- 3	- 2	- 10	- 23	- 10	- 14	- 35	- 38	6,7,8
+ 11	+ 2	+ 2	+ 19	+ 10	+ 10	+ 24	+ 34	9
-	-	-	+ 44	+ 54	+ 32	+ 32	+ 44	10
+ 47	+ 55	+ 82	+ 105	- 54	- 120	+ 10	+ 289	11
+ 48	- 59	+ 6	+ 27	+ 28	+ 31	+ 10	+ 22	13
- 6	- 7	- 2	+ 12	-	+ 2	+ 5	- 3	14.1
+ 15	+ 8	- 17	- 2	- 16	+ 12	- 15	+ 4	14.2
- 61	- 7	- 456	- 442	- 45	+ 378	- 241	- 966	14.3
								17
+ 307	+ 258	+ 301	+ 520	+ 820	+ 864	+ 1,019	+ 1,386	E
- 4	- 65	- 469	- 405	- 33	+ 423	- 241	- 943	1
+ 303	+ 193	- 168	+ 115	+ 787	+ 1,287	+ 778	+ 443	2
								3
- 35	- 37	+ 54	+ 52	+ 86	- 11	- 462	+ 34	H = C+E
+ 22	- 18	+ 2	- 22	+ 277	+ 168	+ 103	- 16	1
-	-	-	-	-	-	-	-	2
								3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

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QUARTERLY



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS FIRST QUARTER 1968

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The basic historical record of the Canadian quarterly Balance of Payments with all countries (including bilateral transactions) may be obtained from the following publications.

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information	1.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1967" for 1965 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Fourth Quarter 1967" for revised 1966 and preliminary 1967 and bilateral data for 1965 and 1966 .....	.50

Note: Additional subsidiary detail published regularly may be traced through the successive quarterly reports.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1968

Canada's current account deficit in the first quarter of 1968 declined to \$225 million from \$316 million in the same period of 1967. A larger increase in merchandise exports than in imports was offset in part by some unfavourable changes in non-merchandise balances. A sharply reduced inflow of capital in long-term forms and a heightened outflow of short-term capital contributed with the current account deficit to reduce Canada's monetary assets substantially.

More prominent external influences in the quarter were an accelerating level of business activity in the United States, where a sharp increase in the final demand components of Gross National Product, together with some strike-oriented purchases stimulated Canadian merchandise exports. Wide-spread pressures and uncertainties in international financial and capital markets were among the factors influencing the unusual movements of capital which occurred.

Summary Statement

	1966	1967	1967				1968
			I Q	II Q	III Q	IV Q	I Q
			millions of dollars				
Merchandise trade balance	+ 224	+ 480	+ 96	+ 4	+ 87	+ 293	+ 236
Balance on non-merchandise transactions	- 1,361	- 905	- 412	- 252	+ 137	- 378	- 461
Current account balance	- 1,137	- 425	- 316	- 248	+ 224	- 85	- 225
Capital movements in long-term forms ..	+ 1,019	+ 1,386	+ 307	+ 258	+ 301	+ 520	+ 105
Capital movements in short-term forms	- 241	- 943	- 4	- 65	- 469	- 405	- 645
Net capital movement(1)	+ 778	+ 443	+ 303	+ 193	- 168	+ 115	- 540
Change in official holdings of gold, foreign exchange and net balance with International Monetary Fund, less reciprocal swap facility with Federal Reserve System	- 359	+ 18	- 13	- 55	+ 56	+ 30	- 765

1) Excluding items in final line.

Canada's transactions in goods and services with foreign countries in the first quarter of 1968 yielded a deficit of \$225 million, as compared with \$316 million for the same period of 1967. This contraction of 29 per cent was wholly attributable to the enlargement in the merchandise trade balance from \$96 million to \$236 million. As a partial offset, the deficit on non-merchandise transactions widened 12 per cent from \$412 million to \$461 million. All of the reduction in the current account deficit between the first quarters of 1967 and 1968 arose from transactions with the United States, as Canada's surplus with overseas countries declined. The current account balances improved with the "rest of the sterling area" group and changed but slightly with the United Kingdom and with other OECD countries in Europe. Canada's current surplus with the remaining countries declined substantially.

Highly Favourable Merchandise Trade Surplus

Canadian exports expanded \$410 million, or nearly 16 per cent, from \$2,609 million to \$3,019 million, while merchandise imports rose \$270 million, or more than 10 per cent, from \$2,513 million in the first quarter of 1967 to \$2,783 million in the corresponding quarter of 1968. The value of aircraft deliveries which exceeded continuing progress payments accounted for the \$22 million deduction from the Trade of Canada import total for the first quarter of 1968, while the exports were adjusted

upwards by \$10 million. These adjustments for balance of payments purposes in the January-March quarter of 1967 were both in the opposite direction, when some \$20 million were added to the import total for progress payments and about \$15 million deducted from the exports mainly for the timing adjustment on wheat shipments.

Summary of Current Transactions with the United States, United Kingdom and Other Countries
First Quarter 1967 and 1968. and Changes Between the Periods

	1967	1968	Change	1967	1968	Change
millions of dollars						
	All Countries			United States		
Merchandise exports (adjusted)	2,609	3,019	+ 410	1,659	2,055	+ 396
Merchandise imports (adjusted)	2,513	2,783	+ 270	1,909	2,105	+ 196
Balance on merchandise trade	+ 96	+ 236	+ 140	- 250	- 50	+ 200
Other current receipts	602	582	- 20	362	358	- 4
Other current payments	1,014	1,043	+ 29	685	746	+ 61
Balance on non-merchandise transactions ...	- 412	- 461	- 49	- 323	- 388	- 65
Total receipts	3,211	3,601	+ 390	2,021	2,413	+ 392
Total payments	3,527	3,826	+ 299	2,594	2,851	+ 257
Current account balance	- 316	- 225	+ 91	- 573	- 438	+ 135
	United Kingdom			Other Countries		
Merchandise exports (adjusted)	284	295	+ 11	666	669	+ 3
Merchandise imports (adjusted)	149	160	+ 11	455	518	+ 63
Balance on merchandise trade	+ 135	+ 135	-	+ 211	+ 151	- 60
Other current receipts	81	78	- 3	159	146	- 13
Other current payments	86	93	+ 7	243	204	- 39
Balance on non-merchandise transactions ...	- 5	- 15	- 10	- 84	- 58	+ 26
Total receipts	365	373	+ 8	825	815	- 10
Total payments	235	253	+ 18	698	722	+ 24
Current account balance	+ 130	+ 120	- 10	+ 127	+ 93	- 34

About one half of the \$410 million increase in merchandise exports was ascribable to automotive products, whose value exceeded \$600 million in the first quarter of 1968, as compared with \$400 million one year before. Copper rose more than \$50 million; and almost 60 per cent of this increase originated from shipments to the United States on account of the prolonged industrial dispute and in response to other demands. Exports of iron and steel materials rose over \$30 million, including increases of some \$6 million and \$16 million in the shipments to the United States respectively of iron ore and steel pipes and tubes. Deliveries of crude petroleum and natural gas to this country rose \$25 million. Exports of aircraft, engines and parts were about \$30 million higher in the first quarter of 1968 over the same period of 1967. Smaller increases took place in the shipments of whisky, asbestos, sulphur and lumber. The value of wheat clearances on the other hand declined about \$25 million.

Roughly 80 per cent of the \$270 million rise in imports is estimated to have originated in expanded imports of automotive products to \$725 million in the first quarter of 1968. Smaller increases were recorded in imports of fresh vegetables, crude petroleum, aircraft and some types of instruments and equipment; but imports of iron and steel materials and agricultural machinery declined.

Average export and import prices both rose moderately in 1967, the former by 2 per cent and the latter by 1 per cent; and the quarterly rates of increase diminished during the year. The declining course was interrupted in the first quarter of 1968 when more appreciable increases of about 2 1/2 per cent were recorded in the average prices for exports and nearly 2 per cent for imports, as compared with the same period of 1967.

Deficit on Services and Other Non-Merchandise Transactions Widens.

An increase of \$47 million in net payments of interest and dividends from \$180 million in the first quarter of 1967 to \$227 million in the same quarter of 1968 accounted for nearly all of the \$49 million expansion in the non-merchandise deficit from \$412 million to \$461 million. The deficit for "all other current transactions" widened \$29 million as the Expo 67 receipts from foreign participants contributed to lowering the deficit in the first quarter of 1967. Smaller deterioration occurred in the balances involving travel expenditures, inheritances and migrants' funds and gold production available for export. A substantial decline of \$38 million in official contributions to \$14 million in the first quarter of 1968 represented the principal offset.

Balances on Principal Non-merchandise Transactions

	First three months			Change in 1968
	1966	1967	1968	
	millions of dollars			
Gold production available for export	+ 34	+ 32	+ 27	- 5
Travel expenditures	- 117	- 127	- 131	- 4
Interest and dividends	- 176	- 180	- 227	- 47
Freight and shipping	- 13	- 7	- 5	+ 2
Inheritances and migrants' funds	+ 8	+ 18	+ 14	- 4
Official contributions	- 33	- 52	- 14	+ 38
All other current transactions	- 109	- 96	- 125	- 29
Balance on non-merchandise transactions	- 406	- 412	- 461	- 49

A combination of a \$3 million decline in receipts to \$79 million and a \$1 million increase in payments to \$210 million widened the international travel deficit slightly. The deficit with the United States increased \$7 million to \$89 million as Canadian expenditures on travel in the United States rose \$4 million to \$157 million while the receipts from visitors from that country declined \$3 million to \$68 million. With the receipts from overseas visitors remaining unchanged at \$11 million between the two periods but with a \$3 million decline to \$53 million in the expenditures, Canada's travel deficit with overseas countries narrowed from \$45 million to \$42 million.

Travel Expenditures

	First three months			Change in 1968
	1966	1967	1968	
	millions of dollars			
United States:				
Receipts ...	64	71	68	- 3
Payments ...	141	153	157	+ 4
Balance	- 77	- 82	- 89	- 7
Overseas:				
Receipts ...	10	11	11	-
Payments ...	50	56	53	- 3
Balance	- 40	- 45	- 42	+ 3
All countries:				
Receipts ...	74	82	79	- 3
Payments ...	191	209	210	+ 1
Balance	- 117	- 127	- 131	- 4

Net payments of interest and dividends rose a little over 25 per cent from \$180 million in the first quarter of 1967 to \$227 million in the same quarter of 1968. This net increase of \$47 million was accounted for by a rise of \$53 million in payments of interest and dividends to \$295 million, which was to a small extent offset by higher income receipts. Increased profits of unincorporated branches of foreign companies together with an expansion in payments by Canadian subsidiaries to parent companies in the United States were chiefly responsible for an increase of \$35 million in the dividend payments to \$172 million. Interest payments increased \$18 million to \$123 million following large United States purchases in 1967 of new Canadian bond issues, particularly those of provincial governments. Receipts of interest and dividends rose moderately by \$6 million to \$68 million, reflecting a \$14 million increase in dividend receipts and an \$8 million decrease in interest receipts. An important element in interest receipts has been net income on official holdings of foreign exchange. The net payments of interest and dividends accounted for 49 per cent of the deficit on non-merchandise transactions, or about 5 percentage points higher than the corresponding proportion for 1967.

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1966	1,135	428	707
1967	1,149	468	681
1967 I Q ...	242	105	137
II Q ...	269	130	139
III Q ...	263	105	158
IV Q ...	375	128	247
1968 I Q ...	295	123	172

also stood at \$14 million. The decline from the first quarter of 1967 was attributable to lower contributions under the Colombo plan as well as under the international food aid program. There was also in the first quarter of 1967 a non-recurring remission of almost \$10 million of the principal and interest on loans extended at an earlier period for the purchase of Canadian wheat and flour.

The balance on other government expenditures became less favourable by some \$25 million, representing, in the main, the receipts in the first quarter of 1967 from foreign participants in Expo 67, as the payments remained practically unchanged between the two periods. There were small changes in the balances of other miscellaneous items.

Balances on Current Transactions

(Seasonally adjusted at quarterly rates)

	Merchandise balance	Balance on non- merchandise transactions	Current account balance(1)
millions of dollars			
1967			
I Q	+ 165	- 296	- 131
II Q	+ 100	- 235	- 135
III Q	- 66	- 86	- 152
IV Q	+ 281	- 288	- 7
Year	+ 480	- 905	- 425
1968			
I Q	+ 292	- 371	- 79

(1) Omission of inheritances and migrants' funds (as shown in the following statement) yields exports and imports of goods and services as published in the National Accounts (seasonally adjusted at annual rates).

Transactions by Areas

Total receipts from the United States for the exports of goods and services were estimated at \$2,413 million in the first quarter of 1968, up \$392 million or more than 19 per cent over \$2,021 million in the corresponding period of 1967. Total current account payments to the United States rose \$257 million, or 10 per cent, from \$2,594 million to \$2,851 million. There was in consequence a contraction of over 23 per cent in the current account deficit from \$573 million to \$438 million.

Receipts for freight and shipping services gained \$8 million to \$177 million, while payments increased \$6 million to \$182 million; and the small deficit on this account narrowed by \$2 million to \$5 million in the first quarter of 1968. A decrease of \$4 million took place in the net receipts of inheritances and migrants' funds from \$18 million to \$14 million, following a \$1 million increase in payments to \$43 million and a decline of \$3 million to \$57 million in the receipts. A substantial decline in the number of immigrants between the January-March quarters of 1967 and 1968 was in part offset by higher average funds of the immigrants.

From \$52 million in the first quarter of 1967, official contributions declined considerably to \$14 million in the same period of 1968. This total was the lowest since the second quarter of 1966, when Canadian economic aid covering donations of goods and services

of 1967, official contributions declined considerably to \$14 million in the same period of 1968. This total was the lowest since the second quarter of 1966, when Canadian economic aid covering donations of goods and services gained more than 8 per cent from \$3,760 million to \$4,076 million, while total current account payments increased 10 per cent to \$4,155 million from \$3,767 million in the October-December quarter of 1967.

Nearly all of the items contributed to the rise in the net service payments. A fall of 13 per cent in the receipts and a 5 per cent increase in the payments produced a deterioration of \$44 million in the travel balance. A much larger increase in payments than in receipts of interest and dividends contributed to a \$37 million expansion in the income account deficit from an unusually low level in the final quarter of 1967. The changes to the other balances of other "invisible" items were smaller and offsetting.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

	1967					1968
	I Q	II Q	III Q	IV Q	Year	I Q
	millions of dollars					
<u>Receipts</u>						
Merchandise exports (adjusted)	2,889	2,894	2,657	2,945	11,385	3,295
Gold production available for export	31	29	26	26	112	26
Travel expenditures	235	375	435	259	1,304	226
Interest and dividends	73	57	79	72	281	77
Freight and shipping	196	212	193	203	804	207
Inheritances and migrants' funds(1)	78	88	88	83	337	75
All other transactions	193	184	173	172	722	170
Sub-totals, non-merchandise transactions	806	945	994	815	3,560	781
Totals	3,695	3,839	3,651	3,760	14,945	4,076
<u>Payments</u>						
Merchandise imports (adjusted)	2,724	2,794	2,723	2,664	10,905	3,003
Gold production available for export	-	-	-	-	-	-
Travel expenditures	239	210	202	226	877	237
Interest and dividends	260	295	315	279	1,149	321
Freight and shipping	212	223	208	212	855	221
Inheritances and migrants' funds(1)	54	51	56	52	213	55
All other transactions (including official contributions)	337	401	299	334	1,371	318
Sub-totals, non-merchandise transactions	1,102	1,180	1,080	1,103	4,465	1,152
Totals	3,826	3,974	3,803	3,767	15,370	4,155

(1) Omission of inheritances and migrants' funds yields exports and imports of goods and services as published in the National Accounts (seasonally adjusted at annual rates).

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
millions of dollars					
United States:					
1966	- 601	- 605-	185	- 626	- 2,017
1967	- 573	- 500+	71	- 296	- 1,298
1968	- 438				
United Kingdom:					
1966	+ 103	+ 111+	100	+ 107	+ 421
1967	+ 130	+ 112+	93	+ 168	+ 503
1968	+ 120				
Other countries:					
1966	+ 102	+ 119+	126	+ 112	+ 459
1967	+ 127	+ 140+	60	+ 43	+ 370
1968	+ 93				
All countries:					
1966	- 396	- 375+	41	- 407	- 1,137
1967	- 316	- 248+	224	- 85	- 425
1968	- 225				

This improvement originated entirely from merchandise trade in which the absolute increase in the exports was twice as great as that in the imports. Merchandise exports gained \$396 million, or 24 per cent, from \$1,659 million to \$2,055 million, while merchandise imports expanded \$196 million, or more than 10 per cent, from \$1,909 million to \$2,105 million. Copper shipments rose about \$30 million. Exports of aluminum ingots recorded an increase of some \$20 million, as did also those of aircraft parts and equipment. Shipments of whisky and lumber each rose about \$10 million, while exports of newsprint declined \$7 million. Apart from developments described before in the travel and income accounts and the decreased value of gold production available for export, the changes in the other non-merchandise items were slight and offsetting. The increase in the net payments of interest and dividends accounted for some 85 per cent of the \$65 million expansion in the non-merchandise deficit with the United States from \$323 million to \$388 million.

If the credit from gold is excluded, Canada's current account deficit with the United States in the first quarter of 1968 was \$465 million. Net capital movements between the two countries produced a net outflow of \$387 million as long-term inflows fell substantially to \$72 million while capital movements in short-term forms led to a net outflow of \$459 million. In sum these transactions with the United States gave rise to net payments by Canada of \$852 million.

Canada's Bilateral Accounts with the United States and the Rest of the World

	1966	1967	1967				1968
			I Q	II Q	III Q	IV Q	I Q
	millions of dollars						
Transactions with the United States:(1)							
Current account balance	- 2,142	- 1,410	- 605	- 528	+ 45	- 322	- 465
Capital movements in long-term forms	+ 1,200	+ 1,311	+ 358	+ 225	+ 323	+ 405	+ 72
Capital movements in short-term forms	- 162	- 961	+ 12	- 187	- 556	- 230	- 459
Totals	- 1,104	- 1,060	- 235	- 490	- 188	- 147	- 852
Transactions with the rest of the world:							
Current account balance	+ 880	+ 873	+ 257	+ 252	+ 153	+ 211	+ 213
Capital movements in long-term forms	- 181	+ 75	- 51	+ 33	- 22	+ 115	+ 33
Capital movements in short-term forms	- 79	+ 18	- 16	+ 122	+ 87	- 175	- 186
Totals	+ 620	+ 966	+ 190	+ 407	+ 218	+ 151	+ 60
Gold production available for export	+ 125	+ 112	+ 32	+ 28	+ 26	+ 26	+ 27
Change in official Canadian holdings of gold, foreign exchange, net balance with the IMF, less reciprocal swap facility with Federal Reserve System							
	- 359	+ 18	- 13	- 55	+ 56	+ 30	- 765

(1) Excluding gold production available for export shown separately below.

The current account surplus with the United Kingdom declined \$10 million to \$120 million in the first quarter of 1968. This was a result of an increase of about 8 per cent from \$235 million to \$253 million in total payments, offset by a smaller rise in the receipts from \$365 million to \$373 million. This small reduction in the surplus was derived from non-merchandise transactions, as the merchandise surplus stood unchanged at \$135 million in the first quarters of 1967 and 1968. An identical increase of \$11 million took place in both receipts and payments for merchandise trade, with the exports changing from \$284 million to \$295 million and the imports being estimated at \$149 million and \$160 million in the two periods. Larger net travel payments were responsible for about half of the \$10 million expansion in the non-merchandise deficit and less favourable balances for interest and dividends, inheritances and migrants' funds for the remainder of the change.

In current transactions with other countries, total receipts declined \$10 million to \$815 million, while total payments increased \$24 million to \$722 million. The current account surplus accordingly narrowed \$34 million from \$127 million to \$93 million in the January-March quarter of 1968. This reduction was primarily due to a rise of \$59 million in imports from the remaining countries other than those in the sterling and OECD groups of countries in Europe. Imports chiefly of crude petroleum from Venezuela increased about \$38 million. The deficit on non-merchandise transactions with other countries narrowed \$26 million to \$58 million, on account of a contraction of \$38 million in the official contributions and minor improvements in the balances on travel expenditures, interest and dividends, offset to a considerable extent by the non-recurrence in 1968 of large receipts from foreign participants at Expo '67.

Total current and capital account transactions with the United Kingdom and other overseas countries produced sharply lower net receipts by Canada of \$60 million. The favourable current account balance at \$213 million was down from \$257 million in the corresponding quarter of 1967 but little changed from the fourth quarter balance. Total capital movements led to a net outflow of \$153 million as capital flows in long-term forms resulted in a net influx of \$33 million while capital movements in short-term forms led to a net outflow of \$186 million. Significant in these latter movements were transactions associated with adjustments to the net foreign currency position of the chartered banks.

The \$792 million difference between the net receipts from overseas countries and the considerably larger payments to the United States together with the gold production available for export of \$27 million are both reflected in the \$765 million fall in official holdings of gold, foreign exchange and IMF balance less the reciprocal swap facility with the Federal Reserve System.

Capital Movements

Summary

Item	1966	1967	1967				1968
			I Q	II Q	III Q	IV Q	I Q
			millions of dollars				
Capital movements in long-term forms	+ 1,019	+ 1,386	+ 307	+ 258	+ 301	+ 520	+ 105
Capital movements in short-term forms ...	- 241	- 943	- 4	- 65	- 469	- 405	- 645
Balance on goods and services	- 1,137	- 425	- 316	- 248	+ 224	- 85	- 225
Change in official holdings of gold, foreign exchange, and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System	- 359	+ 18	- 13	- 55	+ 56	+ 30	- 765

Capital movements between Canada and other countries in the first quarter of 1968 displayed volatility in a period of severe strain in the international monetary system, leading to a substantial net outflow of \$540 million, a swing of \$655 million from the net inflow of \$115 million recorded in the previous quarter. The fall in long-term inflows contributed \$415 million to this change with 240 million being accounted for by a net increase in outflows in short-term forms. The first quarter current account balance was relatively strong and resulted in a deficit of \$225 million so that the balance of current and capital account transactions produced a decrease of \$765 million in official monetary assets.

Of capital movements in long-term forms only those for the sale of new Canadian issues contributed significantly to the net inflow. The principal outflows arose from retirements of Canadian securities held abroad, direct investment abroad, and Canadian net purchases of foreign securities. Sales of new issues of Canadian securities are taken into the balance of payments at the time of delivery. Offerings for later delivery were relatively high in the first quarter. The effect of adjusting the actual inflows to reflect the timing of security offerings is shown in the accompanying statement.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1966	+ 1,019	+ 823
1967	+ 1,386	+ 1,626
1967 I Q ..	+ 307	+ 354
II Q ..	+ 258	+ 334
III Q ..	+ 301	+ 491
IV Q ..	+ 520	+ 447
1968 I Q ..	+ 105	+ 180

Capital movements in short-term forms led to a net outflow of \$645 million, some \$240 million larger than in the fourth quarter of 1967. The outflow for the acquisition by Canadians of foreign currency bank deposits and other short-term funds abroad, although reduced, was still significant, while the reduction by non-residents of holdings of finance company paper also contributed. The largest factor, however, was in all other transactions which includes changes in loans and in accounts receivable and payable as well as the balancing item representing the difference between direct measurements of the current and capital accounts.

The net spot holdings of foreign currency assets of the Canadian chartered banks vis-a-vis non-residents rose, on a transactions basis, by \$66 million in the quarter while those with Canadian residents fell by \$64 million, to produce an overall increase of \$2 million. Claims on and liabilities to residents of the United States dropped by \$207 million and \$98 million, respectively, while corresponding increases of \$223 million and \$48 million were recorded with residents of overseas countries. Foreign currency claims on Canadians were reduced by \$29 million and liabilities increased by \$35 million. Thus the net increase of \$2 million reflected declines in net assets of \$109 million and \$64 million with residents of the United States and Canada, respectively, and a rise with residents of overseas countries of \$175 million. These figures cannot be identified separately in the balance of payments presentation in this report but form elements of several of the items.

Direct Investment

The net capital inflow for direct investment in foreign-controlled enterprises fell sharply in the quarter under review to \$5 million - a contraction of well over \$100 million from the levels of the previous and corresponding quarters of 1967. Transactions with overseas countries produced a moderate inflow, principally from Continental Europe, while a disinvestment to the United States was recorded. Industrially the flows were largely in balance for all the main sectors.

While the flow of long-term capital for foreign investment in Canada was at record low levels in the first quarter, the outflow for Canadian direct investment abroad rose to a new high of \$75 million, more than double that of the first quarter of 1967. The bulk of the investment was again directed to manufacturing enterprises with no industrial group within the sector paramount. Geographically the United States and overseas countries each received about half of the flow.

Security Transactions

Transactions in portfolio securities between Canada and other countries during the first quarter gave rise to a \$169 million net capital inflow compared with a \$235 million net inflow for the last quarter of 1967. Net sales of Canadian issues were down to \$237 million from \$351 million in the preceding quarter while net purchases of foreign securities fell by \$48 million to \$68 million.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1967				1968
	1966	1967	I Q	II Q	III Q	IV Q	I Q
millions of dollars							
Canadian securities:							
Outstanding - Bonds	- 103	- 56	- 10	- 23	- 9	- 14	- 53
Stocks	- 137	+ 17	- 52	- 15	+ 30	+ 54	+ 15
New issues	+ 1,463	+ 1,310	+ 332	+ 296	+ 271	+ 411	+ 394
Retirements	- 502	- 356	- 57	- 138	- 61	- 100	- 119
Foreign securities:							
Outstanding issues	- 355	- 294	- 33	- 43	- 111	- 107	- 54
New issues	- 85	- 64	- 25	- 11	- 15	- 13	- 23
Retirements	+ 17	+ 10	+ 2	+ 2	+ 2	+ 4	+ 9
Totals, all countries ...	+ 298	+ 567	+ 157	+ 68	+ 107	+ 235	+ 169
United States	+ 391	+ 658	+ 197	+ 108	+ 134	+ 219	+ 150
United Kingdom	- 20	- 90	- 22	- 28	- 24	- 16	+ 10
Other countries	- 73	- 1	- 18	- 12	- 3	+ 32	+ 9

The value of new Canadian issues delivered during the quarter at \$394 million remained at a high level. Significant changes in opposite directions were the increase in deliveries of provincial government direct and guaranteed issues and the fall in corporate issues. Offerings to United States residents in the first quarter for delivery in later quarters increased while deliveries of prior offerings declined. As a result the undelivered balance of offerings to United States residents at the end of the first quarter rose to \$437 million. The net purchase balance from trading in outstanding

Canadian securities during the quarter amounted to about \$38 million, a swing of some \$78 million from the inflow recorded in the last quarter of 1967. An inflow of about \$15 million marked the third consecutive net sale of Canadian equities while the \$53 million net re-purchase by Canadians of outstanding Canadian bonds and debentures was the highest in over a decade. Retirements of Canadian securities increased from \$100 million to about \$119 million on the basis of increases in the retirements of both unguaranteed railway and provincial government direct and guaranteed bonds.

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Un- delivered(1)
millions of dollars			
1966	1,162	1,358	122
1967	1,458	1,218	362
1967 I Q ...	359	312	169
II Q ...	358	282	245
III Q ...	447	257	435
IV Q ...	294	367	362
1968 I Q ...	398	323	437

(1) At end of period.

million, down sharply from the corresponding quarter of the previous year when the data included the cancellation of an outstanding loan. There were no further subscriptions to international institutions.

Transactions during the quarter arising from the financing of exports directly or indirectly at the risk of the Government of Canada led to a net capital inflow of \$41 million. Following the pattern of recent quarters the predominant factor was again net repayments received in respect of past exports of wheat to Communist countries.

Detail of Long-term Capital Transactions n.i.e.
Item D13

Year and quarter	Export credits(1)							Sub- total	Other transactions	Total
	Wheat			Other commodities						
	Advances	Repayments	Net	Advances	Repayments	Net				
	millions of dollars									
1966	- 191	+ 153	- 38	- 65	+ 56	- 9	- 47	+ 57	+ 10	
1967	- 91	+ 219	+ 128	- 59	+ 38	- 21	+ 107	+ 182	+ 289	
1967 I Q ..	- 27	+ 46	+ 19	- 12	+ 10	- 2	+ 17	+ 30	+ 47	
II Q ..	- 39	+ 95	+ 56	- 14	+ 8	- 6	+ 50	+ 5	+ 55	
III Q ..	- 24	+ 42	+ 18	- 10	+ 11	+ 1	+ 19	+ 63	+ 82	
IV Q ..	- 1	+ 36	+ 35	- 23	+ 9	- 14	+ 21	+ 84	+ 105	
1968 I Q ..	- 25	+ 74	+ 49	- 19	+ 11	- 8	+ 41	- 26	+ 15	

(1) Medium and long-term export credits extended from Canada directly or indirectly at risk of the Government of Canada.

All other transactions in long-term forms led to a net outflow of \$26 million; those associated with the financing of private long-term trade credits, Canadian dollar loans to non-residents and insurance contributed significantly to this amount.

Capital Movements in Short-term Forms

The net outflow for capital movements in short-term forms climbed to \$645 million in the first quarter of 1968, up substantially from the high levels recorded in the last two quarters of 1967. Interest rates in Canada, both long-term and short-term, continued to rise in the period with long-term average yields on Canada's approaching 7 per cent while treasury bill yields rose above this mark. The yield differential between Canada and the United States widened in favour of Canada in the quarter as treasury bill yields in the United States rose less rapidly. However, heavy forward pressure on the Canadian dollar produced a discount large enough to offset the unhedged differential.

Non-resident holdings of Canadian dollars rose by \$25 million in the quarter. Net inflows of \$7 million and \$22 million served to augment their holdings of Canadian dollar deposits and treasury bills, respectively, while there was a \$4 million reduction in Government of Canada demand liabilities held abroad. The dominant factor in the net sales of \$22 million of Canadian treasury bills were increases in the holdings of foreign government and institutions representing the temporary employment of receipts in Canada.

On balance Canadian holdings of bank balances and other short-term funds abroad (excluding official reserves) were increased by \$100 million in the quarter, down sharply from the two preceding quarters. Holdings of swapped deposits which started the year at just over \$900 million rose to a peak of almost \$970 million at the end of January, fell gradually in February and more sharply thereafter reflecting the official request of March 4 to the banks not to facilitate these transactions. By the end of the quarter Canadian holdings of these instruments had dropped to about \$750 million. In contrast resident holdings of other foreign currency deposits rose rapidly, more than offsetting the decline in swapped deposits.

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1966	1967 -	1967				1968
			I Q	II Q	III Q	IV Q	I Q
			millions of dollars				
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 601	- 323	+ 332	+ 38	- 316	- 377	- 100
17.2 Canadian commercial paper, etc.	-	+ 12	- 6	+ 5	+ 1	+ 12	+ 7
17.3 Canadian finance company paper	- 4	- 49	+ 7	- 24	- 55	+ 23	- 61
17.4 Canadian finance company obligations, n.i.e.	+ 154	+ 34	- 17	+ 11	- 31	+ 71	- 7
17.5 All other transactions(1)	+ 210	- 640	- 377	- 37	- 55	- 171	- 509
Total (Item D 17)	- 241	- 966	- 61	- 7	- 456	- 442	- 670

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

Non-residents' holdings of Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) decreased in the first quarter of 1968 by \$61 million while transactions in other finance company obligations of a short-term nature (which include borrowing from foreign banks and advances from parent companies) led on balance to a net outflow of \$7 million compared to the \$71 million net inflow in the previous quarter. In addition there were, of course, other finance company transactions included with capital movements in long-term forms, notably new issues and retirements of Canadian securities. All in all the international borrowing of these companies in the first quarter of 1968 resulted in an aggregate net outflow of about \$70 million. International transactions in Canadian commercial paper (including bankers' acceptances) led to a net outflow of \$1 million while transactions in other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) resulted in a net inflow of \$8 million.

All other transactions led to a net outflow of \$509 million. Reductions in intercompany account payables were important among the identifiable items contributing to the total. The largest part, however, remains as yet unidentified. There are, of course, grounds for expecting that leads and lags in outstanding trade balances became more pronounced in this period of pressure on the international exchange markets.

Official Holdings of Gold and Foreign Exchange

The period covered in this report was one in which the world's international monetary system was sorely tested; the Canadian dollar was under pressure for much of the time from early January to mid-March. The devaluation of sterling which occurred in November 1967 was the harbinger of a period of considerable international financial uncertainty. Concern over the United States balance of payments position led to the announcement by the President of the United States on January 1 of mandatory controls over capital flows and of other measures to strengthen the United States balance of payments. While there continued to be recognition of the special economic and financial relationships existing between Canada and the United States, and under the program, Canada remained in a preferred position vis-à-vis other developed countries, abnormally large sales of Canadian dollars occurred in the foreign exchange markets in the second and third weeks of January. The Minister of Finance reported in the House of Commons on January 22 that:

"This selling pressure resulted in part from widespread nervousness in international financial circles about currencies generally following the devaluation of sterling and the abnormal demands for gold. More immediately, however, it appears to have resulted in part from highly exaggerated fears of the effects on Canada of the United States balance of payments regulations, and misunderstanding of the intention of the United States authorities in that regard."

Following discussions with the Canadian authorities, the Secretary of the Treasury of the United States, the Honourable Henry H. Fowler, had issued a statement on January 21 that the new United States balance of payments program did not call for and was not intended to have the effect of causing abnormal transfers from Canada. At the same time the Governor of the Bank of Canada announced that it had been agreed with the chartered banks that they would discourage the use of bank credit to facilitate abnormal transfers of funds abroad by Canadian subsidiaries of foreign companies and would also discourage the use of bank credit by such companies to meet requirements in Canada which in the past had normally been met by parent companies. The bank rate was also increased from 6 per cent to 7 per cent in the light of developments in the exchange market. When the reserve position was announced for the end of January it showed that Canada's holdings of gold and United States dollars had declined from U.S. \$2,268 million at the beginning of the month to U.S. \$2,175 million. The Minister referred to his statement of January 22 and noted that the Canadian dollar had strengthened since the measures taken at that time. On January 31 Canada's holdings of gold and United States dollars included US \$250 million acquired by the Bank of Canada through activation of part of its reciprocal currency facility of US \$750 million with the Federal Reserve System. The use of reserves during the month accordingly totalled US \$343 million.

Both international and domestic developments contributed to additional strains on the Canadian exchange market during this period. Reference has already been made to the uncertainties which followed the devaluation of sterling, the impact of the United States balance of payments program, and speculation about the future price of gold. Progress towards the development of new international exchange reserve facilities at times seemed halting. Added to these external environmental factors were some developments of a domestic character including renewed public discussion of exchange rate policy and of foreign ownership of Canadian industry prompted by the release of the Watkins' Task Force report. Uncertainties also arose from defeat in the House of Commons of a tax measure. On February 26 the Minister of Finance announced that Canada had taken steps to draw the equivalent of US \$426 million from the International Monetary Fund. This sum was made up of US \$241 million representing Canada's creditor position in the International Monetary Fund and US \$185 million equivalent in value to Canada's contribution of gold to the International Monetary Fund. The drawing left unimpaired Canada's normal rights to secure credit from the Fund equivalent in amount to Canada's quota of US \$740 million. The Minister stated that it has been thought desirable to bring into the United States dollar holdings the whole of the creditor position with the Fund and the gold tranche. Official holdings of gold and United States dollars rose by US \$315 million during the month from US \$2,175 million to US \$2,490 million. The net use of the reserves, apart from the drawing from the International Monetary Fund, was accordingly US \$111 million.

On March 4 the Governor of the Bank of Canada requested Canadian banks and other financial intermediaries for the time being not to facilitate swapped deposit transactions, which constitute the main link between the Canadian short-term interest rate structure and the rates prevailing in the

Euro-dollar market. At the same time the Minister of Finance requested Canadian investors to refrain from entering into or renewing swapped deposit transactions through any intermediary, Canadian or non-Canadian. Movements in these deposits are discussed elsewhere in this report.

The Minister made public on March 7 an exchange of letters between himself and the Secretary of the Treasury of the United States, relating to the application to Canada of the United States balance of payments measures. The Secretary of the Treasury noted the unique financial relations between the two countries which had been a mutual support to both and to the international monetary system. The cardinal element in the present financial relationships between the United States and Canada was the fact that to the extent capital outflows from the United States to Canada of a kind covered by the United States balance of payments measures were insufficient to finance Canada's current account deficit, Canadian borrowers would exercise their existing rights to borrow more in United States capital markets. In the light of this situation and to make sure that the flow of funds from the United States to Canada was adequate, the United States undertook to exempt Canada from all the United States balance of payments measures affecting capital flows that were administered by the Department of Commerce or the Federal Reserve System. In his acknowledgement the Minister of Finance stated the intention of the Canadian government to ensure that the United States balance of payments position was in no way impaired as a result of this action. Accordingly any necessary steps would be taken to ensure that the exemption from the United States program did not result in Canada's being used as a "pass-through" by which the purpose of the United States balance of payments program would be frustrated. It was also the intention of the Canadian government to invest its entire holdings (apart from necessary working balances) of United States dollars in United States Government securities which do not constitute a liquid claim on the United States, with of course effective safeguards should its reserve level require. These arrangements with respect to the employment of Canada's official holdings of United States dollars are without statistical effect in Canada.

At the same time, the Minister announced that arrangements had been made for an additional US \$900 million of standby credits to be available to Canada to supplement its foreign exchange reserves. The United States government had agreed that the Export Import Bank would provide a standby credit of US \$500 million to the Government of Canada. In addition, the Bank of Canada announced that it had arranged reciprocal credit facilities with the Central Banks of Germany and Italy in amounts of US \$150 million each and a credit facility with the Bank for International Settlements of US \$100 million.

While these developments were occurring with respect to Canada, international speculation on the price of gold reached crisis levels culminating in the suspension of trading and the announcements on March 17 of new arrangements by the Governors of the Central Banks contributing to the Gold Pool. Canada announced that it would cooperate in the policies set forth in their communique. The bank rate in Canada was raised from 7 per cent to 7-1/2 per cent coincidentally with an increase from 4-1/2 per cent to 5 per cent in the discount rate of the Federal Reserve. The reciprocal currency facility between the Bank of Canada and the Federal Reserve System was increased from US \$750 million to US \$1,000 million.

On March 31, Canada's official holdings of gold and United States dollars were US \$2,244 million, a decline of \$246 million during the month. The announcement revealed that a very heavy drain had occurred in the first half of the month after which there had been a build up(1). The Minister's statement attributed renewed strength in the Canadian dollar to the approval by Parliament of the government's new tax measures, the new arrangements with the United States, and the easing of pressures on exchange markets that followed the change of gold policy.

Over the quarter as a whole, Canada's official holdings of gold and United States dollars were reduced by US \$24 million from US \$2,268 million to \$2,244 million after the application to them of Canada's net balance with the International Monetary Fund which had been US \$433 million at the beginning of the period and of activation of US \$250 million of the reciprocal currency facility with the Federal Reserve System.

The quarterly change expressed in Canadian dollars shows a fall in official holdings of gold and foreign exchange (including working balances of sterling) of \$23 million; the reduction in the I.M.F. balance due to its repatriation amounted to \$471 million while the activation of part of the reciprocal swap facility with the Federal Reserve System created a liability of \$271 million expressed in Canadian funds. These transactions supplied in total \$765 million.

(1) Official holdings of gold and foreign exchange also rose substantially during the months of April and May.

United States Dollar in Canada

Exchange Holdings and IMF Balance

Period	High	Low	Close	Noon average	End of period	Official holdings of gold and United States dollars	Net balance with Inter- national Monetary Fund	
Canadian cents					millions of United States dollars			
1967	I Q ..	108.34	107.75	108.25	108.07	1967 I Q	2,203	468
	II Q ..	108.34	107.88	107.97	108.16	II Q	2,169	452
	III Q ..	108.00	107.34	107.41	107.63	III Q	2,221	454
	IV Q ..	108.13	107.25	108.06	107.61	IV Q	2,268	433
1968	I Q ..	109.00	108.09	108.28	108.56	1968 I Q	2,244	-
	Jan. ...	109.00	108.09	108.75	108.47	Jan.	2,175	428
	Feb. ...	108.75	108.66	108.75	108.73	Feb.	2,490	-
	Mar. ...	108.75	108.19	108.28	108.49	Mar.	2,244	-

Note: The table of exchange holdings does not include holdings of the Government of Canada at March 31, 1968 of \$114 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions			Transactions					
	Sub- crip- tion (Quota)	Loans (GAB)	Total assets	Sub- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold	Total liabi- lities	
	millions of United States dollars								
1947-1965	550.0	50.0	600.0	462.5	54.3	- 331.7	61.5	246.6	353.4
1966	190.0		790.0	142.5		- 47.6		341.5	448.5
1967		- 15.0	775.0	- 15.0		15.1		341.6	433.4
1967 I Q			790.0			- 20.0		321.5	468.5
II Q		- 15.0	775.0	- 15.0		16.1		322.6	452.4
III Q			775.0			- 1.3		321.3	453.7
IV Q			775.0			20.3		341.6	433.4
1968 I Q		- 35.0	740.0	- 35.0	426.0	7.3		739.9	0.1

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow(GAB). The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1967 and 1968 are preliminary and data for 1966 are subject to revision

		1966			
No.		I	II	III	IV
millions of dollars					
A	Current receipts:				
1	Merchandise exports (adjusted)	2,223	2,602	2,695	2,806
3	Gold production available for export	34	29	30	32
4	Travel expenditures	74	184	455	127
5	Interest and dividends	71	81	55	116
6	Freight and shipping	156	185	209	206
7	Inheritances and immigrants' funds	44	71	86	67
11	All other current receipts	171	172	180	180
12	Total current receipts	2,773	3,324	3,710	3,534
B	Current payments:				
1	Merchandise imports (adjusted)	2,213	2,651	2,472	2,766
4	Travel expenditures	191	240	314	158
5	Interest and dividends	247	250	230	408
6	Freight and shipping	169	212	225	219
7	Inheritances and emigrants' funds	36	44	60	58
9	Official contributions	33	14	82	33
11	All other current payments	280	288	286	299
12	Total current payments	3,169	3,699	3,669	3,941
C	Current account balance:				
1	Merchandise trade	+ 10	- 49	+ 223	+ 40
2	Other transactions, excluding B 9	- 373	- 312	- 100	- 414
3	Official contributions	- 33	- 14	- 82	- 33
4	Total	- 396	- 375	+ 41	- 407
D	Capital account:				
	Direct investment:				
1	Direct investment in Canada	+ 128	+ 212	+ 147	+ 223
2	Direct investment abroad	- 22	- 39	+ 76	- 35
	Canadian securities:				
3.1	Trade in outstanding bonds and debentures	- 13	- 25	- 50	- 15
3.2	Trade in outstanding common and preference stocks	- 14	- 44	- 35	- 44
4	New issues	+ 578	+ 359	+ 317	+ 209
5	Retirements	- 113	- 158	- 91	- 140
6,7,8	Foreign securities	- 79	- 122	- 126	- 96
	Loans and capital subscriptions by Government of Canada:				
9	Advances, etc.	- 6	- 3	- 9	- 17
10	Repayments to Canada	+ 2	+ 2	+ 1	+ 19
11	Columbia River Treaty, net	-	-	-	+ 32
13	Long-term capital transactions n.i.e.	+ 1	+ 44	+ 11	- 24
	Change in Canadian dollar holdings of foreigners:				
14.1	Deposits	- 15	- 8	+ 21	+ 12
14.2	Government of Canada demand liabilities	- 6	- 2	+ 5	+ 8
14.3	Canadian treasury bills	- 8	-	+ 2	- 9
17	Other capital movements	- 175	+ 42	- 373	+ 265
E	Net capital movement (excluding monetary items shown below) in:				
1	Long-term forms (D1 to D13)	+ 462	+ 226	+ 219	+ 112
2	Short-term forms (D14 to D17)	- 204	+ 32	- 345	+ 276
3	Total	+ 258	+ 258	- 126	+ 388
H = C+E	Official monetary movements in the form of:				
1	Change in official holdings of gold and foreign exchange	- 166	- 181	- 105	- 10
2	Change in net International Monetary Fund position	+ 28	+ 64	+ 20	- 9
3	Reciprocal swap facility with Federal Reserve System	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in

B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income,

B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1967 and 1968 are preliminary and data for 1966 are subject to revision

1967				1968	Annual totals		Four quarters ended March 31, 1968	No.
I	II	III	IV	I	1966	1967		
millions of dollars								
2,609	3,018	2,703	3,055	3,019	10,326	11,385	11,795	A
32	28	26	26	27	125	112	107	1
82	346	708	168	79	840	1,304	1,301	3
62	54	63	102	68	323	281	287	4
169	214	208	213	177	756	804	812	5
60	96	106	75	57	268	337	334	6
197	182	170	173	174	703	722	699	7
3,211	3,938	3,984	3,812	3,601	13,341	14,945	15,335	11
								12
2,513	3,014	2,616	2,762	2,783	10,102	10,905	11,175	B
209	230	278	160	210	903	877	878	1
242	269	263	375	295	1,135	1,149	1,202	4
176	232	224	223	182	825	855	861	5
42	47	65	59	43	198	213	214	6
52	76	20	29	14	162	177	139	7
293	318	294	289	299	1,153	1,194	1,200	9
3,527	4,186	3,760	3,897	3,826	14,478	15,370	15,669	11
								12
+ 96	+ 4	+ 87	+ 293	+ 236	+ 224	+ 480	+ 620	C
- 360	- 176	+ 157	- 349	- 447	- 1,199	- 728	- 815	1
- 52	- 76	- 20	- 29	- 14	- 162	- 177	- 139	2
- 316	- 248	+ 224	- 85	- 225	- 1,137	- 425	- 334	3
								4
+ 125	+ 145	+ 140	+ 130	+ 5	+ 710	+ 540	+ 420	D
- 30	- 10	- 20	+ 10	- 75	- 20	- 50	- 95	1
- 10	- 23	- 9	- 14	- 53	- 103	- 56	- 99	2
- 52	- 15	+ 30	+ 54	+ 15	- 137	+ 17	+ 84	3.1
+ 332	+ 296	+ 271	+ 411	+ 394	+ 1,463	+ 1,310	+ 1,372	3.2
- 57	- 138	- 61	- 100	- 119	- 502	- 356	- 418	4
- 56	- 52	- 124	- 116	- 68	- 423	- 348	- 360	5
- 3	- 2	- 10	- 23	- 10	- 35	- 38	- 45	6,7,8
+ 11	+ 2	+ 2	+ 19	+ 1	+ 24	+ 34	+ 24	9
-	-	-	+ 44	-	+ 32	+ 44	+ 44	10
+ 47	+ 55	+ 82	+ 105	+ 15	+ 10	+ 289	+ 257	11
+ 48	- 59	+ 6	+ 27	+ 7	+ 10	+ 22	- 19	13
- 6	- 7	- 2	+ 12	- 4	+ 5	- 3	- 1	14.1
+ 15	+ 8	- 17	- 2	+ 22	- 15	+ 4	+ 11	14.2
- 61	- 7	- 456	- 442	- 670	- 241	- 966	- 1,575	14.3
								17
+ 307	+ 258	+ 301	+ 520	+ 105	+ 1,019	+ 1,386	+ 1,184	E
- 4	- 65	- 469	- 405	- 645	- 241	- 943	- 1,584	1
+ 303	+ 193	- 168	+ 115	- 540	+ 778	+ 443	- 400	2
								3
- 35	- 37	+ 54	+ 52	- 23	- 462	+ 34	+ 46	H = C+E
+ 22	- 18	+ 2	- 22	- 471	+ 103	- 16	- 509	1
-	-	-	-	- 271	-	-	- 271	2
								3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

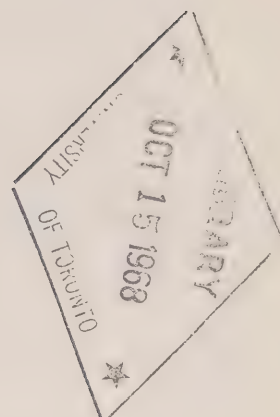
D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

CATALOGUE No.

67-001

QUARTERLY



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1968

Published by Authority of
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Summary of Current Transactions with the United States, United Kingdom and Other Countries
1967 and 1968, and Changes Between the Periods

	1967	1968	Change	1967	1968	Change
	millions of dollars					
<u>Second quarter</u>	<u>All Countries</u>			<u>United States</u>		
Merchandise exports (adjusted)	3,018	3,541	+ 523	1,867	2,360	+ 493
Merchandise imports (adjusted)	3,012	3,179	+ 167	2,199	2,346	+ 147
Balance on merchandise trade	+ 6	+ 362	+ 356	- 332	+ 14	+ 346
Other current receipts	932	874	- 58	616	575	- 41
Other current payments	1,218	1,233	+ 15	804	870	+ 66
Balance on non-merchandise transactions ...	- 286	- 359	- 73	- 188	- 295	- 107
Total receipts	3,950	4,415	+ 465	2,483	2,935	+ 452
Total payments	4,230	4,412	+ 182	3,003	3,216	+ 213
Current account balance	- 280	+ 3	+ 283	- 520	- 281	+ 239
<u>January to June</u>						
Merchandise exports (adjusted)	5,627	6,560	+ 933	3,526	4,415	+ 889
Merchandise imports (adjusted)	5,523	5,962	+ 439	4,106	4,451	+ 345
Balance on merchandise trade	+ 104	+ 598	+ 494	- 580	- 36	+ 544
Other current receipts	1,571	1,498	- 73	1,003	952	- 51
Other current payments	2,289	2,332	+ 43	1,525	1,648	+ 123
Balance on non-merchandise transactions ...	- 718	- 834	- 116	- 522	- 696	- 174
Total receipts	7,198	8,058	+ 860	4,529	5,367	+ 838
Total payments	7,812	8,294	+ 482	5,631	6,099	+ 468
Current account balance	- 614	- 236	+ 378	- 1,102	- 732	+ 370
<u>Second quarter</u>	<u>United Kingdom</u>			<u>Other Countries</u>		
Merchandise exports (adjusted)	317	319	+ 2	834	862	+ 28
Merchandise imports (adjusted)	199	180	- 19	614	653	+ 39
Balance on merchandise trade	+ 118	+ 139	+ 21	+ 220	+ 209	- 11
Other current receipts	98	96	- 2	218	203	- 15
Other current payments	108	112	+ 4	306	251	- 55
Balance on non-merchandise transactions ...	- 10	- 16	- 6	- 88	- 48	+ 40
Total receipts	415	415	-	1,052	1,065	+ 13
Total payments	307	292	- 15	920	904	- 16
Current account balance	+ 108	+ 123	+ 15	+ 132	+ 161	+ 29
<u>January to June</u>						
Merchandise exports (adjusted)	601	614	+ 13	1,500	1,531	+ 31
Merchandise imports (adjusted)	348	340	- 8	1,069	1,171	+ 102
Balance on merchandise trade	+ 253	+ 274	+ 21	+ 431	+ 360	- 71
Other current receipts	180	178	- 2	388	368	- 20
Other current payments	200	211	+ 11	564	473	- 91
Balance on non-merchandise transactions ...	- 20	- 33	- 13	- 176	- 105	+ 71
Total receipts	781	792	+ 11	1,888	1,899	+ 11
Total payments	548	551	+ 3	1,633	1,644	+ 11
Current account balance	+ 233	+ 241	+ 8	+ 255	+ 255	-

Note: Omission of items A7 and B7 for inheritances and migrants' funds in the main balance of payments table at the back of this report yields exports and imports of goods and services as published in the National Accounts.

The usual adjustments to recorded trade for balance of payments use represented an addition of about \$45 million to exports and a deduction of about the same size from imports in the first half of 1968. Timing adjustments to shipments of wheat together with minor receipts of progress payments were incorporated into the exports; while deliveries of aircraft exceeding in value the current progress payments largely accounted for the negative adjustment to recorded imports.

Increases of about \$400 million each occurred on both sides of Canada's international trade in automotive products. This important group of commodities accounted for well over 40 per cent of the merchandise export gain and a preponderant portion of the smaller rise in imports. Other significant increases in exports of about \$100 million occurred in copper ores and alloys and of a slightly larger magnitude in the group including iron ores, steel alloys, plates, etc. Shipments of crude petroleum and natural gas rose about \$50 million, as did lumber and also aircraft, engines and parts together. Exports of pulp and nickel were each higher by more than \$30 million. Smaller but important increases took place in the shipments abroad of a variety of other commodities including whisky, newsprint, aluminum, asbestos, sulphur, fertilizers, and communication equipment. Advances in the metal exports were to an important degree strike-induced by the extended labour dispute in the copper industry in the United States (which ended in April) or were in response to threats of strike in the aluminum and steel industries.

The value of clearances of wheat to overseas markets fell about \$90 million on account of reduced shipments to the U.S.S.R. and Japan among other countries and also due to lower donations in 1968 to countries such as India. Shipments of wheat to Mainland China were however almost \$20 million larger. Exports of agricultural machinery were down more moderately as were those of navigation equipment.

Apart from the substantial increase in the imports of automotive products, the arrival of a considerable number of civilian jet aircraft during the first 6 months of 1968 contributed some \$60 million to the import rise over the same period of 1967, although, as already noted, the effect on the balance of payments was smaller due to the special treatment of progress payments. Increases of about 40 million were recorded in the imports of crude petroleum and fuel oil and also in copper ores and scrap brought in from the United States for processing, together with moderately higher imports of nickel from overseas countries.

Small increases occurred in imports of a variety of commodities including clothing, precious metals, air-conditioning and laboratory equipment.

Imports of agricultural machinery and tractors, however, declined well over \$40 million, and those of iron and steel materials were down roughly \$30 million. Imports of a number of other commodities, including glass, metal working machinery and parts and electronic computers, declined moderately.

The rise in average export prices, which was close to 3 per cent in the first half of 1967 over the same period of 1966, slowed down to 1 per cent in the latter half of the year. However, the increase started to pick up again in the closing months of 1967 and accelerated during the first half of 1968, so that the level of average prices at mid-year 1968 was about 2 1/2 per cent higher than at the year-end. These price increases encompassed exports of crude and fabricated materials, end products as well as live animals, and included individual commodities such as lumber, iron ore, copper, nickel and some other metals and minerals. The average import prices, which fluctuated within a narrow range between equal levels at the beginning and end of 1967, in the first half of 1968 reached a plateau about 1 per cent above the level of the first half of 1967.

Increased Deficit on Non-merchandise Transactions

With about a 5 per cent contraction in non-merchandise receipts from \$1,571 million to \$1,498 million combined with a 2 per cent increase in these payments from \$2,289 million to \$2,332 million, the non-merchandise deficit expanded \$116 million or 16 per cent from \$718 million in the first half of 1967 to \$834 million in the 6 months of 1968. The decline in receipts was attributable largely to travel receipts which were swollen in the second quarter of 1967 with the opening of Expo 67. Expenditures in Canada by foreign participants at the exposition also raised non-merchandise receipts in the first half of 1967 above normal levels. Other non-merchandise receipts increased between the 2 periods under comparison as did also individual "invisible" payments, with the exception of official contributions, which receded from the high level of 1967. Inheritances and emigrants' funds remained unchanged.

Balances on Principal Non-merchandise Transactions

	First six months			Change in 1968
	1966	1967	1968	
	millions of dollars			
Gold production available for export	+ 63	+ 60	+ 62	+ 2
Travel expenditures	- 173	- 11	- 138	- 127
Interest and dividends	- 347	- 398	- 460	- 62
Freight and shipping	- 39	- 22	- 9	+ 13
Inheritances and migrants' funds	+ 35	+ 67	+ 70	+ 3
Official contributions	- 51	- 132	- 53	+ 79
All other current transactions	- 216	- 282	- 306	- 24
Balance on non-merchandise transactions	- 728	- 718	- 834	- 116

While travel payments in the second quarter of 1968 at \$243 million recovered to about the level of pre-Expo year 1966, Canada's international travel receipts stood at \$235 million in an extension of the normal growth rate between the second quarters of recent years. There was accordingly the smallest travel deficit (since 1950 and excluding the Expo year) of \$8 million for the second quarter of 1968. The first quarter 1968 deficit of \$130 million was slightly above that of the same quarter of 1967.

Travel Expenditures

	First six months			Change in 1968
	1966	1967	1968	
	millions of dollars			
United States:				
Receipts ...	219	373	273	- 100
Payments ...	313	319	330	+ 11
Balance	- 94	+ 54	- 57	- 111
Overseas:				
Receipts ...	38	55	41	- 14
Payments ...	117	120	122	+ 2
Balance	- 79	- 65	- 81	- 16
All countries:				
Receipts ...	257	428	314	- 114
Payments ...	430	439	452	+ 13
Balance	- 173	- 11	- 138	- 127

For the 6 months of 1968 travel receipts totalled \$314 million, down \$114 million or 27 per cent from \$428 million in the first half of 1967, but 22 per cent higher than \$257 million for the same period of 1966. Canadian expenditures abroad for travel stood at \$452 million in the 6 months of 1968, as compared with \$439 million and \$430 million in the first halves of 1967 and 1966, respectively. Travel expenditures by United States visitors to Canada declined \$100 million to \$273 million, while Canadian travel payments to the United States rose \$11 million to \$330 million. The balance on travel transactions with the United States was accordingly transformed from a surplus of \$54 million to a deficit of \$57 million in the first 6 months of 1968; but this deficit was considerably below that of \$94 million in the corresponding period of 1966. The travel deficit with overseas countries expanded to \$81 million in the 6 months of 1968 following a contraction from \$79 million to \$65 million between the 6 months of 1966 and 1967.

Interest and Dividends: Payments

Period	Total	Interest	Dividends
	millions of dollars		
1966	1,140	429	711
1967	1,190	471	719
1967 I Q ...	249	105	144
II Q ...	272	130	142
III Q ...	270	106	164
IV Q ...	399	130	269
1968 I Q ...	292	122	170
II Q ...	315	144	171

Net interest and dividend payments in the first 6 months of 1968 rose to \$460 million from \$398 million in the corresponding period of 1967. This net increase of \$62 million was accounted for by a rise of \$86 million in payments of interest and dividends to \$607 million, which was to some extent offset by higher income receipts. More than 70 per cent of the expansion of net interest and dividend payments occurred in the first quarter of 1968. Increased profits of unincorporated branches of foreign companies together with an expansion in payments by Canadian subsidiaries to United States companies were chiefly responsible for an increase of \$55 million in the dividend payments to \$341 million in the first half of 1968 as compared to the same period in 1967. Interest payments increased by \$31 million to \$266 million following large United States purchases in 1967 of the new bond issues of provincial governments and corporations.

Receipts of interest and dividends rose moderately by \$24 million to \$147 million. Dividend receipts increased by \$26 million reflecting to some extent an exceptional withholding tax adjustment in 1967. Interest receipts declined by \$2 million. The net payments of interest and dividends accounted for 55 per cent of the deficit on non-merchandise transactions, which was unchanged from the proportion for the first half of 1967, notwithstanding the changing contribution of some of the individual items to the increased level of the "invisible" deficit in 1968.

Along with the continuing expansion in the volume of external trade, Canada's transactions in freight and shipping with foreign countries increased to record levels for the first half year in 1968. With a 10 per cent gain in the receipts from \$397 million to \$436 million, offset by a rise of 6 per cent in the payments from \$419 million to \$445 million, the freight and shipping deficit narrowed from \$22 million to \$9 million. The surplus on account of migrants' funds and inheritances increased slightly to \$70 million, reflecting a \$3 million gain in the receipts to \$159 million but no change to payments at \$89 million. The fall from the first half of 1967 of over 20 per cent in the number of immigrants was more than counterbalanced by a sharp rise in the per capita funds brought in particularly in the second quarter by immigrants from the United States, sterling area countries and some other countries.

Official contributions fell \$79 million to \$53 million from the unusually high level of the first half of 1967. Most of the decline took place in Canada's bilateral food aid, encompassing much larger donations of wheat to India in the second quarter of 1967. The deficit on other current transactions widened about 8 per cent from \$282 million to \$306 million, with other government expenditures and business services accounting for most of this change. These government expenditures abroad did not change appreciably, but the receipts declined considerably from the first half of 1967, when expenditures by foreign participants at Expo 67 raised the level abnormally.

Acting in the other direction was the reduction in net payments of personal and institutional remittances from an unusually high level associated with the disturbances in the Middle East in June of 1967.

Current Transactions in the Second Quarter (Seasonally Adjusted)

Balances on Current Transactions

(Seasonally adjusted at quarterly rates)

	Merchandise balance	Balance on non- merchandise transactions	Current account balance(1)
	millions of dollars		
<u>1967</u>			
I Q	+ 172	- 306	- 134
II Q	+ 79	- 265	- 186
III Q	- 63	- 122	- 185
IV Q	+ 293	- 331	- 38
Year	+ 481	- 1,024	- 543
<u>1968</u>			
I Q	+ 317	- 370	- 53
II Q	+ 427	- 329	+ 98

(1) Omission of inheritances and migrants' funds (as shown in the following statement) yields exports and imports of goods and services as published in the National Accounts (seasonally adjusted at annual rates).

Total exports of goods and services rose 4 per cent from \$4,122 million, seasonally adjusted at quarterly rates, in the first quarter to the highest recorded level of \$4,287 million in the second quarter of 1968. The increase of more than 7 per cent between the final quarter of 1967 and the quarter following was even more marked. Total current payments recorded about the same rise between these two periods, but changed only slightly in the second quarter. At \$4,189 million, the payments also stood at record levels. These movements in the large aggregates yielded a signal improvement in Canada's current account balance towards the end of 1967, which was followed by a period of hesitation. A marked betterment occurred in the second quarter to a surplus of \$98 million, seasonally adjusted at quarterly rates, from a deficit of \$53 million in the preceding quarter. About 70 per cent of this positive change of \$151 million originated from merchandise trade, with the exports increasing 2 1/2 per cent from \$3,297 million to \$3,381 million. Merchandise imports at \$2,954 million were a shade down from \$2,980 million in the first quarter. From a recent peak in this quarter of \$370 million, seasonally adjusted at quarterly rates, the non-merchandise deficit contracted to \$329 million in the April-June quarter, which roughly corresponded with the last quarter 1967 deficit. International transactions on travel, in particular, and on freight and shipping and migrant's funds and inheritances contributed to this favourable change. Seasonally adjusted travel receipts increased nearly 20 per cent, while travel payments declined more moderately.

Similar changes in direction but smaller in magnitude occurred in the two sides of the freight and shipping account. Receipts of migrants' funds and inheritances rose sharply, while the payments remained just about unchanged. With increases in payments exceeding those in receipts of interest and dividends and of miscellaneous current transactions, the deficit in these items widened moderately.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

	1967					1968	
	I Q	II Q	III Q	IV Q	Year	I Q	II Q
	millions of dollars						
<u>Receipts</u>							
Merchandise exports (adjusted)	2,862	2,876	2,678	2,971	11,387	3,297	3,381
Gold production available for export	31	29	26	26	112	31	30
Travel expenditures	238	371	436	259	1,304	228	270
Interest and dividends	80	59	78	77	294	77	88
Freight and shipping	208	212	208	217	845	229	232
Inheritances and migrants' funds(1)	80	87	88	82	337	76	92
All other transactions	211	194	202	199	806	184	194
Sub-totals, non-merchandise transactions	848	952	1,038	860	3,698	825	906
Totals	3,710	3,828	3,716	3,831	15,085	4,122	4,287
<u>Payments</u>							
Merchandise imports (adjusted)	2,690	2,797	2,741	2,678	10,906	2,980	2,954
Gold production available for export	-	-	-	-	-	-	-
Travel expenditures	234	212	205	226	877	235	226
Interest and dividends	266	297	319	308	1,190	314	342
Freight and shipping	222	222	217	223	884	238	234
Inheritances and migrants' funds(1)	52	52	56	53	213	51	53
All other transactions (including official contributions)	380	434	363	381	1,558	357	380
Sub-totals, non-merchandise transactions	1,154	1,217	1,160	1,191	4,722	1,195	1,235
Totals	3,844	4,014	3,901	3,869	15,628	4,175	4,189

(1) Omission of inheritances and migrants' funds yields exports and imports of goods and services as published in the National Accounts (seasonally adjusted at annual rates).

Transactions by Areas

Transactions with the United States accounted for, as mentioned before, almost the entire improvement in Canada's current account balance. Total receipts for exports of goods and services gained \$838 million, or roughly 18 per cent, from \$4,529 million in the first half of 1967 to \$5,367 million in the corresponding period of 1968. Total current payments to the United States at the same time rose \$468 million, or 8 per cent, from \$5,631 million to \$6,099 million.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1966	- 590	- 605	- 191	- 644	- 2,030
1967	- 582	- 520	+ 53	- 330	- 1,379
1968	- 451	- 281			
United Kingdom:					
1966	+ 106	+ 110	+ 101	+ 108	+ 425
1967	+ 125	+ 108	+ 88	+ 163	+ 484
1968	+ 118	+ 123			
Other countries:					
1966	+ 97	+ 115	+ 123	+ 108	+ 443
1967	+ 123	+ 132	+ 61	+ 36	+ 352
1968	+ 94	+ 161			
All countries:					
1966	- 387	- 380	+ 33	- 428	- 1,162
1967	- 334	- 280	+ 202	- 131	- 543
1968	- 239	+ 3			

newsprint increased more moderately. Exports of a variety of other commodities, including whisky, fertilizers, aircraft engines and parts, were higher in 1968. Exports of agricultural implements, in particular harvesting machinery, were however curtailed, due in part to a lengthy strike against a major Canadian manufacturer.

A 5 per cent decline in non-merchandise receipts from \$1,003 million to \$952 million combined with an 8 per cent rise in these payments from \$1,525 million to \$1,648 million caused Canada's "invisible" deficit with the United States to widen by a third from \$522 million to \$696 million. Travel transactions, to which references were made before, accounted for \$111 million or about 64 per cent of the deterioration. The addition to net payments of interest and dividends accounted for another 40 per cent of the enlargement in the non-merchandise deficit. The changes in the balances of the other items in this group were fairly small and contributed to a moderate net reduction in the deficit.

If the credit representing new gold production available for export is excluded, Canada's current account deficit with the United States in the second quarter of 1968 was \$310 million. Capital movements between the two countries produced a net inflow of \$205 million as long-term inflows increased by \$296 million to \$370 million and short-term outflows fell by \$279 million to \$165 million. In sum these transactions with the United States gave rise to net payments by Canada of \$105 million.

Total current and capital receipts by Canada from transactions with the United Kingdom and other overseas countries rebounded sharply to \$696 million from a low \$56 million in the previous quarter. The favourable current account balance increased substantially. However, the most significant factors were the increased long-term capital inflow to \$327 million and the \$262 million swing in short-term capital movements to a net inflow of \$85 million. Significant in these latter movements were transactions associated with the net foreign currency operations of the chartered banks.

The \$591 million difference between the net receipts from overseas countries and the much smaller payments to the United States together with the gold production available for export of \$29 million are both reflected in the \$620 million rise in official holdings of gold, foreign exchange and IMF balance less the reciprocal swap facility with the Federal Reserve System.

The current account deficit therefore contracted from \$1,102 million to \$732 million, or by \$370 million. The reduction in the merchandise trade deficit exceeded this overall improvement in the current account balance, as there was an offset to the extent of a third from the widening deficit in the service transactions. Merchandise exports advanced 25 per cent from \$3,526 million to \$4,415 million, while merchandise imports increased about 8 per cent from \$4,106 million to \$4,451 million. The merchandise trade deficit was accordingly cut from \$580 million to \$36 million between the first half-years 1967 and 1968. Shipments to the United States of automobiles, trucks, automotive parts and equipment rose substantially, accounting for more than 40 per cent of the total gain in merchandise exports. Shipments of iron ore and fabricated steel materials were up well over \$80 million in the first 6 months of 1968 in part in anticipation of a possible strike in the United States industry. A rise of nearly \$50 million in the exports of copper alloys likewise largely originated from a prolonged strike in the United States. Large gains in exports of some other non-ferrous metals, including aluminum, nickel and silver, were also recorded. Deliveries of crude petroleum, natural gas and related products advanced roughly \$50 million in the first half of 1968. Shipments of lumber to the United States rose nearly \$50 million, and those of pulp and

Canada's Bilateral Accounts with the United States and the Rest of the World

	1966	1967	1967				1968	
			I Q	II Q	III Q	IV Q	I Q	II Q
	millions of dollars							
Transactions with the United States:(1)								
Current account balance	- 2,157	- 1,491	- 614	- 548	+ 27	- 356	- 484	- 310
Capital movements in long-term forms	+ 1,238	+ 1,227	+ 322	+ 207	+ 297	+ 401	+ 74	+ 370
Capital movements in short-term forms	- 179	- 891	+ 61	- 158	- 538	- 256	- 444	- 165
Totals	- 1,098	- 1,155	- 231	- 499	- 214	- 211	- 854	- 105
Transactions with the rest of the world:								
Current account balance	+ 868	+ 836	+ 248	+ 240	+ 149	+ 199	+ 212	+ 284
Capital movements in long-term forms	- 177	+ 112	- 45	+ 49	+ 4	+ 104	+ 21	+ 327
Capital movements in short-term forms	- 79	+ 113	- 17	+ 128	+ 91	- 89	- 177	+ 85
Totals	+ 612	+ 1,061	+ 186	+ 417	+ 244	+ 214	+ 56	+ 696
Gold production available for export	+ 127	+ 112	+ 32	+ 28	+ 26	+ 26	+ 33	+ 29
Official monetary movements(2)	- 359	+ 18	- 13	- 54	+ 56	+ 29	- 765	+ 620

(1) Excluding gold production available for export shown separately below.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

Canada's current account surplus with the United Kingdom rose \$8 million to \$241 million in the first half year 1968. Total exports of goods and services increased \$11 million to \$792 million, while the rise in total current payments was even smaller - from \$548 million to \$551 million. The slight gain in the current account surplus originated from an 8 per cent increase in the merchandise surplus from \$253 million to \$274 million, reduced by a widening of \$13 million in the non-merchandise deficit to \$33 million. Small individual increases in the shipments of iron ore, nickel, pulp, and newsprint together with other offsetting changes contributed to raise merchandise exports from \$601 million to \$614 million. Merchandise imports of \$348 million and \$340 million for the first halves of 1967 and 1968 respectively were in total little changed. A moderate rise in the travel deficit and a small reduction in net receipts of migrants' funds and inheritances with a partial offset of a smaller improvement in the freight and shipping balance brought about the \$13 million increase in the non-merchandise deficit.

In transactions with other countries, a reduction of \$71 million in the merchandise trade surplus and an identical reduction in the non-merchandise deficit had the effect of maintaining the current account surplus at \$255 million in the first halves of 1967 and 1968. As Canada's current account deficit hardly changed with the other OECD countries in Europe, the increase in the current surplus with the Rest of the Sterling Area and the decline in the current surplus with the remaining countries were practically offsetting. The sharp improvement in the non-merchandise balance with the Rest of the Sterling Area was derived largely from the reduction in the official contributions. The prominence of wheat in Canada's foreign economic aid was translated as well into the reduction of merchandise exports to the Rest of the Sterling Area. Wheat shipments were down on balance to the remaining group of countries with decreases to the U.S.S.R. and some other Eastern European countries and to Japan, but deliveries to Mainland China were more than 25 per cent higher in the 6 months of 1968. Exports to a number of countries in Latin America including Puerto Rico, Mexico and Brazil were higher, but shipments to Peru were lower significantly. A rise of some \$60 million in the imports of

crude petroleum and products from Venezuela accounted for a sizable proportion of the total increase in imports from the group of remaining countries. Imports from Japan and Mexico were also higher.

Capital Movements

Summary

Item	1966	1967	1967				1968	
			I Q	II Q	III Q	IV Q	I Q	II Q
			millions of dollars					
Capital movements in long-term forms	+ 1,061	+ 1,339	+ 277	+ 256	+ 301	+ 505	+ 95	+ 697
Capital movements in short-term forms ...	- 258	- 778	+ 44	- 30	- 447	- 345	- 621	- 80
Balance on goods and services	- 1,162	- 543	- 334	- 280	+ 202	- 131	- 239	+ 3
Official monetary movements(1)	- 359	+ 18	- 13	- 54	+ 56	+ 29	- 765	+ 620

(1) Change in holdings of monetary gold, foreign exchange, and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

In the first quarter of 1968 the fabric of the international monetary system, especially the major reserve currencies, continued under severe pressure. Canada, as an active participant in both the international capital and short-term money markets was not immune from the effects. Nearly all types of Canada's long-term and short-term capital transactions with other countries reflected them. With the resolution of some of these problems, and a move in speculative attention away from North America, Canada's capital transactions with other countries in the second quarter of 1968 again mirrored the changing situation.

The swing of \$1,143 million in capital movements between the first two quarters of 1968 reflected outflows of \$526 million in the first quarter which were more than offset by a \$617 million inflow in the second quarter. The increase in long-term inflows contributed \$602 million to this change while the fall in short-term outflows accounted for \$541 million. The second quarter current account balance was again relatively strong and resulted in a surplus of \$3 million so that the balance of current and capital account transactions produced an increase of \$620 million in official monetary assets.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1966	+ 1,061	+ 860
1967	+ 1,339	+ 1,587
1967 I Q ..	+ 277	+ 330
II Q ..	+ 256	+ 360
III Q ..	+ 301	+ 460
IV Q ..	+ 505	+ 437
1968 I Q ..	+ 95	+ 161
II Q ..	+ 697	+ 626

While the data for 1968 are still subject to the possibility of significant revisions as more sources become available, the emerging picture of the capital flows in this period stands out in sharp contrast to that for the second and third quarters of 1962. In that period while the effect of pressures and their subsequent abatement could be seen in most types of capital flows, the swing in the capital account balance between the two quarters (of about \$1,000 million) included a change of about \$450 million in bank balances and other short-term funds abroad and about \$300 million of other flows in short-term forms. The swing of \$1,143 million from the first to the second quarter of 1968, however, included only \$175 million in bank balances and other short-term funds abroad, and \$366 million of other flows in short-term forms. While a substantial growth in the second quarter of sales of new issues to non-residents contributed in an important measure to the overall swing, the apparent decline in the role of private exchange holdings is noteworthy.

In addition to inflows from the sale of new Canadian issues those for direct investment in Canada contributed significantly to the net import of long-term capital in the second quarter. The main outflows arose from retirements of Canadian securities held abroad and Canadian net purchases of foreign securities. Sales of new issues of Canadian securities are taken into the balance of payments at the time of delivery. Deliveries from offerings in previous quarters were relatively high in the second quarter. The effect of adjusting actual long-term capital inflows to reflect the timing of security offerings is shown in the accompanying statement.

Capital movements in short-term forms led to a net outflow of \$80 million, some \$541 million less than in the first quarter. A reduction of Canadian holdings of foreign currency bank deposits and other short-term funds abroad resulted in a significant net capital inflow while reductions in non-resident holdings of Canadian money market instruments, mainly Canadian finance company paper, occasioned a somewhat smaller net outflow. The principal net outflow was, however, recorded in the category "all other transactions" which includes changes in loans and accounts receivable and payable.

The net spot holdings of foreign currency assets of the Canadian chartered banks vis-à-vis non-residents rose, on a transaction basis, by \$9 million in the quarter while those with Canadians rose by \$68 million, to produce an overall increase of \$77 million. Claims on and liabilities to residents of the United States rose by \$204 million and \$38 million, respectively, while corresponding increases of \$40 million and \$197 million were recorded with residents of overseas countries(1). Foreign currency claims on and liabilities to Canadians were reduced by \$22 million and \$90 million, respectively. Thus the net increase of \$77 million reflects increases in net assets of \$166 million and \$68 million with residents of the United States and Canada, respectively, and a decline with residents of overseas countries of \$141 million. These figures cannot be identified separately in the balance of payments presentation in this report but form elements of several of the items.

Direct Investment

The net capital inflow for direct investment in foreign-controlled enterprises at \$190 million in the quarter under review was up sharply from the unusually low level of \$5 million in the first quarter of 1968 when some recourse was probably made to temporary financing from domestic sources. About two thirds of the total came from the United States and one-sixth each from the United Kingdom and other countries. Manufacturing and mining received the bulk of this inflow of which almost one-fifth was earmarked for the purchase of already existing plants rather than new capital formation, or changes in working capital.

An inflow of \$15 million resulted from the net disinvestment of Canadian direct investment abroad, a swing of \$100 million from the record \$85 million net outflow of the previous quarter. This swing was reflected in most industrial sectors. Geographically, refluxes of investment came from the United States and the United Kingdom while net outflows continued to other countries.

Security Transactions

Transactions in portfolio securities between Canada and other countries during the second quarter of 1968 gave rise to a net inflow of \$496 million, an increase to over 2 1/2 times the \$175 million inflow for the first quarter. A net increase in non-resident holdings of Canadian issues led to a \$615 million inflow compared with \$244 million for the first quarter. Every category of transactions contributed to this large increase, however, the higher level of new Canadian issues provided the major part. Net purchases of foreign securities moved up over 70 per cent to a \$119 million outflow in the second quarter from a \$69 million outflow for the first quarter.

Sales of Canadian new issues rose sharply from \$408 million to \$711 million largely on the strength of increased borrowing from European sources. Since World War II Canada has derived over 90 per cent of its international capital financing of new issues from the United States. However, over the first half of this year, there has been a strong movement by Canadian borrowers to the European capital market due to a number of factors. First, Canadian borrowing in the United States capital market despite Canada's exemption from most United States balance of payments measures, has become increasingly difficult due to the relative saturation of the United States capital markets after several quarters of exceptionally large placements of Canadian new issues; second, the Euro-bond market over the past few years has rapidly developed into an efficient and co-ordinated source of funds partly in response to the pressure of the capital needs of overseas subsidiaries of United States firms; and

(1) Gold holdings of the Canadian chartered banks are included with their claims on residents of overseas countries.

third, comparable costs of borrowing in relation to the United States (aside from differing foreign exchange risks). The Canadian issues placed in Europe have, in general, two features. The bulk are not of the typical Euro-bond type, but are essentially private loans borrowed from financial institutions in one country, denominated in its own currency; and second, they are medium-term and to date only one issue matures after 1973. This borrowing has increased from about \$20 million in the fourth quarter of 1967 to over \$60 million in the first quarter of 1968 and almost \$300 million in the quarter under review when Government of Canada issues were prominent. The currency distribution of these issues placed in Europe in the second quarter were about \$153 million in deutschemarks, over \$108 million in other European currencies and more than \$30 million in United States dollars.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1967				1968	
	1966	1967	I Q	II Q	III Q	IV Q	I Q	II Q
millions of dollars								
Canadian securities:								
Outstanding - Bonds	- 104	- 56	- 10	- 22	- 10	- 14	- 53	- 11
Stocks	- 136	+ 12	- 53	- 17	+ 30	+ 52	+ 15	+ 34
New issues	+ 1,465	+ 1,300	+ 317	+ 291	+ 274	+ 418	+ 408	+ 711
Retirements	- 499	- 338	- 58	- 131	- 48	- 101	- 126	- 119
Foreign securities:								
Outstanding issues	- 361	- 367	- 51	- 61	- 129	- 126	- 55	- 116
New issues	- 57	- 66	- 26	- 11	- 16	- 13	- 23	- 10
Retirements	+ 17	+ 15	+ 3	+ 2	+ 3	+ 7	+ 9	+ 7
Totals, all countries ...	+ 325	+ 500	+ 122	+ 51	+ 104	+ 223	+ 175	+ 496
United States	+ 415	+ 578	+ 160	+ 84	+ 120	+ 214	+ 154	+ 245
United Kingdom	- 22	- 61	- 22	- 28	- 14	+ 3	+ 11	- 13
Other countries	- 68	- 17	- 16	- 5	- 2	+ 6	+ 10	+ 264

New Issues of Canadian Bonds Sold to United States Residents

Period	Offer-ings	De-liveries	Un-delivered(1)
millions of dollars			
1966	1,156	1,357	122
1967	1,448	1,200	370
1967 I Q ...	348	295	175
II Q ...	378	274	279
III Q ...	418	259	438
IV Q ...	304	372	370
1968 I Q ...	398	332	451
II Q ...	360	431	380

(1) At end of period.

During the second quarter non-residents purchased \$225 million (expressed in Canadian funds) of Government of Canada new issues. There were placements by the Government of new issues in Germany, Italy and the United States - the first new issues placed abroad by the Canadian Government since the foreign exchange crisis of 1962 and its aftermath. New corporation bond issues more than doubled to \$231 million while new issues of provincial governments moved down to \$180 million from \$240 million.

During the second quarter of the year trade in outstanding Canadian securities produced a net inflow of \$23 million, a swing of over \$60 million from the first quarter outflow of \$38 million. While there were net repatriations of \$11 million of Canadian bonds and debentures, these were more than offset by the \$34 million net sales of Canadian equities.

Second quarter retirements of Canadian securities held by non-residents remained at approximately the same level of \$119 million compared with \$126 million in the previous quarter. Retirements by municipal governments and corporations fell somewhat, but this was offset to some extent by the increase in retirements of Government of Canada direct and guaranteed issues.

The net outflow for purchases of foreign securities rose to \$119 million from \$69 million in the first quarter when there were large liquidations of the Government of Canada's holdings of bonds of the International Bank for Reconstruction and Development. Net purchases of outstanding foreign securities increased to \$116 million from \$55 million while Canadian purchases of foreign new issues decreased to \$10 million from a high \$23 million occasioned by a new I.B.R.D. bond placement in Canada. Retirements of Canadian holdings of foreign securities remained approximately the same as in the previous quarter.

Other Capital Flows in Long-term Forms

Intergovernmental loan disbursements by the Canadian government, all under the development loan program, totalled \$8 million in the second quarter of 1968. Geographically all but \$1 million went to Commonwealth countries. Repayments of principal on earlier loans aggregated \$2 million. There were no further subscriptions to international institutions.

Detail of Long-term Capital Transactions n.i.e. Item D13

Year and quarter	Export credits (1)						Sub- total	Other transactions	Total
	Wheat			Other commodities					
	Advances	Repayments	Net	Advances	Repayments	Net			
	millions of dollars								
1966	- 191	+ 153	- 38	- 65	+ 56	- 9	- 47	+ 57	+ 10
1967	- 91	+ 219	+ 128	- 59	+ 39	- 20	+ 108	+ 161	+ 269
1967 I Q ..	- 27	+ 46	+ 19	- 12	+ 10	- 2	+ 17	+ 22	+ 39
II Q ..	- 39	+ 95	+ 56	- 14	+ 8	- 6	+ 50	- 1	+ 49
III Q ..	- 24	+ 42	+ 18	- 10	+ 11	+ 1	+ 19	+ 68	+ 87
IV Q ..	- 1	+ 36	+ 35	- 23	+ 10	- 13	+ 22	+ 72	+ 94
1968 I Q ..	- 25	+ 73	+ 48	- 19	+ 11	- 8	+ 40	- 32	+ 8
II Q ..	- 44	+ 47	+ 3	- 14	+ 10	- 4	- 1	+ 3	+ 2

(1) Medium and long-term export credits extended from Canada directly or indirectly at risk of the Government of Canada.

After five successive quarters of significant net inflows, transactions during the quarter arising from the financing of exports directly or indirectly at the risk of the Government of Canada led to a small net capital outflow. Increased advances related to wheat exports accounted in large part for this swing.

All other transactions in long-term forms led to a net inflow of \$3 million which comprised large and small flows in both directions.

Capital Movements in Short-term Forms

The net outward flow of capital in short-term forms fell sharply to \$80 million in the second quarter of 1968 from the first quarter's extraordinarily high level of \$621 million. Reflecting both international and domestic factors, short-term interest rates in Canada as measured by treasury bill yields, remained for most of the second quarter at or near the peak established at the end of the previous quarter. A marked decline was evident in the latter part of March as yields dropped almost 30 basis points. The yield differential between Canada and the United States narrowed sharply over the second quarter by some 50 basis points mainly due to increases in the United States rate. This factor was more than offset for most of the quarter, however, by the easing of forward pressure on the Canadian dollar and the consequent reduction in the discount on the forward Canadian dollar.

Non-resident holdings of Canadian dollars fell by \$4 million in this quarter. Canadian dollar deposits and Government of Canada demand liabilities were reduced by \$2 million and \$3 million, respectively, while a \$1 million increase in non-resident holdings of Canadian treasury bills was recorded.

On balance Canadian holdings of bank balances and other short-term funds abroad (excluding official reserves), which had risen by \$788 million in the previous nine months, dropped by \$49 million in the quarter. Holdings of swapped deposits which had been officially discouraged late in the first quarter, fell steadily throughout most of the quarter from about \$750 million at the beginning of April to \$350 million in mid-June when the guideline discouraging Canadian participation in these instruments was withdrawn. Canadian holdings of swapped deposits at the end of the quarter totalled \$580 million. In contrast resident holdings of other foreign currency deposits continued rising throughout the quarter. The heavy volume of new Canadian issues sold abroad contributed to this increase while the relatively high cost of forward exchange cover encouraged some Canadians to hold spot foreign exchange for future use.

Composition of "Other Capital Movements"
(A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1966	1967 -	1967				1968	
			I Q	II Q	III Q	IV Q	I Q	II Q
			millions of dollars					
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 601	- 286	+ 332	+ 44	- 311	- 351	- 126	+ 49
17.2 Canadian commercial paper, etc.	-	+ 11	- 6	+ 5	+ 1	+ 11	+ 7	- 17
17.3 Canadian finance company paper	- 4	- 54	+ 7	- 24	- 55	+ 18	- 61	- 38
17.4 Canadian finance company obligations, n.i.e.	+ 154	+ 34	- 17	+ 11	- 31	+ 71	- 7	- 6
17.5 All other transactions(1)	+ 193	- 507	- 329	- 8	- 39	- 131	- 460	- 64
Total (Item D 17)	- 258	- 802	- 13	+ 28	- 435	- 382	- 647	- 76

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

International transactions in Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) led in the second quarter to a \$38 million net outflow. This was augmented by a \$6 million net outflow as a result of transactions in other finance company short-term obligations (which include borrowings from foreign banks and advances from parent companies). In addition there were other finance company transactions not identified separately which have been included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. Taken in total, non-residents decreased their claims on these companies in the second quarter by about \$45 million. International transactions in Canadian commercial paper (including bankers' acceptances) resulted in no net movement while net sales of other short-term paper (including notes of banks, mortgage loan companies and provincial and municipal governments) produced a \$17 million inflow.

All other transactions led to a net capital outflow of \$64 million. Reduction in intercompany accounts payable and other short-term liabilities contributed significantly to this flow.

Official Holdings of Gold and Foreign Exchange

The intense speculation against the Canadian dollar which had occurred in the international exchange markets eased after mid-March. In the second quarter the focus of speculative attention switched somewhat away from North America. Borrowings by the Government of Canada in Germany, Italy and the United States helped to replenish depleted foreign exchange reserves. The favourable trade pattern further encouraged confidence. With the build up in reserves Canada, in June, repaid US \$125 million of the US \$250 million borrowed in January under its reciprocal swap facility with the United States Federal Reserve System and reestablished a net position in the International Monetary Fund equivalent to US \$121 million. The Canadian dollar increased steadily in value on the foreign exchange markets throughout the quarter and for most of the period traded within the permitted one per cent range above its official par value in terms of the United States dollar.

Reflecting the confidence engendered by the strong reserve position the Minister of Finance withdrew, in mid-June, his request to Canadian investors to refrain from entering into or renewing swapped deposit transactions.

Under the new international arrangements with respect to gold reached in March, 1968 it should be noted that new gold production is no longer taken into Canada's holdings of official monetary assets. Pending the establishment of new statistical conventions, Canadian gold production available for export continues to be reflected as a current account credit. Any unsold stocks are treated as official non-monetary external assets and changes in them are reflected as capital movements with countries other than the United States.

On June 30, Canada's official holdings of gold and United States dollars were US \$2,574 million, an increase of US \$330 million in the quarter. In addition the restoration of Canada's net asset position in the International Monetary Fund and the partial liquidation of the liability to the Federal Reserve System, as mentioned above, involved amounts of US \$121 million and US \$125 million, respectively.

The quarterly change expressed in Canadian dollars showed an increase in official holdings of gold and foreign exchange (including working balances of sterling) of \$355 million. The increase in the I.M.F. balance amounted to \$130 million while the reduction of the assistance received under the reciprocal currency facility with the Federal Reserve System resulted in a payment of \$135 million. In total these transactions reflect a \$620 million increase in Canada's official monetary assets.

The following statement provides data on foreign exchange rates and certain reserve items:

Period	United States Dollar in Canada				Official holdings of monetary gold and United States dollars	Net balance with Inter- national Monetary Fund	Reciprocal swap facility with Federal Reserve System	
	High	Low	Close	Noon average				
Canadian cents				millions of United States dollars at end of period				
1967	I Q ..	108.34	107.75	108.25	108.07	2,203	468	-
	II Q ..	108.34	107.88	107.97	108.16	2,169	452	-
	III Q ..	108.00	107.34	107.41	107.63	2,221	454	-
	IV Q ..	108.13	107.25	108.06	107.61	2,268	433	-
1968	I Q ..	109.00	108.09	108.28	108.56	2,244	-	- 250
	II Q ..	102.25	107.50	107.59	107.83	2,574	121	- 125
	April ..	108.25	108.84	107.91	108.01	2,416	-	- 250
	May	107.91	107.72	107.84	107.79	2,695	-	- 250
	June ...	107.81	107.50	107.59	107.68	2,574	121	- 125

Note: The total of exchange holdings does not include holdings of the Government of Canada at June 30, 1968 of \$114 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)	
	Transactions		Total assets	Transactions						
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold			
								Total liabi- lities		
millions of United States dollars										
1947-1965	550.0	50.0	600.0	462.5	54.3	- 331.7	61.5	246.6	353.4	
1966	190.0		790.0	142.5		- 47.6		341.5	448.5	
1967		- 15.0	775.0	- 15.0		15.1		341.6	433.4	
1967 I Q			790.0			- 20.0		321.5	468.5	
II Q		- 15.0	775.0	- 15.0		16.1		322.6	452.4	
III Q			775.0			- 1.3		321.3	453.7	
IV Q			775.0			20.3		341.6	433.4	
1968 I Q		- 35.0	740.0	- 35.0	426.0	7.3		739.9	0.1	
II Q			740.0			- 121.0		618.9	121.1	

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow(GAB). The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

Revisions

The estimates for 1966 and 1967 have been revised following the customary practice of publishing revised benchmark estimates in the second quarter report. Unlike the sizable amendment to merchandise imports for preliminary 1966 estimates made public a year ago, the present revisions to 1967 are concerned more with non-merchandise transactions, including interest and dividends, freight and shipping and miscellaneous current transactions, notably business services. The revisions were in part attributable to an underestimation of certain service transactions generated by Expo 67 and from institutional changes entailing higher service charges by non-resident parents to Canadian subsidiaries. The exploitation of new sources of information as well as more complete data contributed to the amendments. The current account deficit for 1967 was revised upwards by \$118 million as a result of an addition of \$140 million to current receipts and of \$258 million to current payments. The amendments made to the 1966 estimates were smaller.

Direct investment, trading in foreign securities and miscellaneous short-term capital movements were prominent among the revisions to capital transactions. It should be noted, however, that these revisions to 1966 data so far encompass only direct investment and securities, and that any necessary changes to the remaining capital items will be published in the next issue of the report.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 are preliminary and data for 1967 are subject to revision

No.		1966				1967
		I	II	III	IV	I
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,223	2,602	2,695	2,806	2,609
3	Gold production available for export	34	29	32	32	32
4	Travel expenditures	74	183	455	128	82
5	Interest and dividends	70	79	55	114	70
6	Freight and shipping	156	185	210	207	181
7	Inheritances and immigrants' funds.....	44	71	86	67	60
11	All other current receipts	185	187	195	192	214
12	Total current receipts	2,786	3,336	3,728	3,546	3,248
B	Current payments:					
1	Merchandise imports (adjusted)	2,213	2,651	2,472	2,766	2,511
4	Travel expenditures	191	239	315	155	209
5	Interest and dividends	246	250	230	414	249
6	Freight and shipping	168	212	225	218	187
7	Inheritances and emigrants' funds	36	44	60	58	42
9	Official contributions	33	18	82	33	52
11	All other current payments	286	302	311	330	332
12	Total current payments	3,173	3,716	3,695	3,974	3,582
C	Current account balance:					
1	Merchandise trade	+ 10	- 49	+ 223	+ 40	+ 98
2	Other transactions, excluding B 9	- 364	- 313	- 108	- 435	- 380
3	Official contributions	- 33	- 18	- 82	- 33	- 52
4	Total	- 387	- 380	+ 33	- 428	- 334
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 134	+ 203	+ 151	+ 222	+ 138
2	Direct investment abroad	- 22	- 29	+ 80	- 34	- 30
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	- 12	- 25	- 52	- 15	- 10
3.2	Trade in outstanding common and preference stocks	- 14	- 44	- 34	- 44	- 53
4	New issues	+ 577	+ 357	+ 303	+ 228	+ 317
5	Retirements	- 116	- 165	- 87	- 131	- 58
6,7,8	Foreign securities	- 79	- 126	- 103	- 93	- 74
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	- 6	- 3	- 9	- 17	- 3
10	Repayments to Canada	+ 2	+ 2	+ 1	+ 19	+ 11
11	Columbia River Treaty, net	-	-	-	+ 32	-
13	Long-term capital transactions n.i.e.	+ 1	+ 44	- 11	- 24	+ 39
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	- 15	- 8	+ 21	+ 12	+ 48
14.2	Government of Canada demand liabilities	- 6	- 2	+ 5	+ 8	- 6
14.3	Canadian treasury bills	- 8	-	+ 2	- 9	+ 15
17	Other capital movements	- 187	+ 59	- 385	+ 255	- 13
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 465	+ 214	+ 239	+ 143	+ 277
2	Short-term forms (D14 to D17).....	- 216	+ 49	- 357	+ 266	+ 44
3	Total	+ 249	+ 263	- 118	+ 409	+ 321
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	- 166	- 181	- 105	- 10	- 35
2	Change in net International Monetary Fund position	+ 28	+ 64	+ 20	- 9	+ 22
3	Reciprocal swap facility with Federal Reserve System	-	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 are preliminary and data for 1967 are subject to revision

1967			1968		Annual totals		Four quarters ended June 30, 1968	No.
II	III	IV	I	II	1966	1967		
millions of dollars								
3,018	2,703	3,057	3,019	3,541	10,326	11,387	12,320	A 1
28	26	26	33	29	127	112	114	3
346	708	168	79	235	840	1,304	1,190	4
53	61	110	68	79	318	294	318	5
216	222	226	200	236	758	845	884	6
96	106	75	57	102	268	337	340	7
193	202	197	187	193	759	806	779	11
3,950	4,028	3,859	3,643	4,415	13,396	15,085	15,945	12
3,012	2,617	2,766	2,783	3,179	10,102	10,906	11,345	B 1
230	278	160	209	243	900	877	890	4
272	270	399	292	315	1,140	1,190	1,276	5
232	233	232	201	244	823	884	910	6
47	65	59	41	48	198	213	213	7
80	20	29	14	39	166	181	102	9
357	343	345	342	344	1,229	1,377	1,374	11
4,230	3,826	3,990	3,882	4,412	14,558	15,628	16,110	12
+ 6	+ 86	+ 291	+ 236	+ 362	+ 224	+ 481	+ 975	C 1
- 206	+ 136	- 393	- 461	- 320	- 1,220	- 843	- 1,038	2
- 80	- 20	- 29	- 14	- 39	- 166	- 181	- 102	3
- 280	+ 202	- 131	- 239	+ 3	- 1,162	- 543	- 165	4
+ 164	+ 143	+ 175	+ 5	+ 190	+ 710	+ 620	+ 513	D 1
- 7	- 25	- 28	- 85	+ 15	- 5	- 90	- 123	2
- 22	- 10	- 14	- 53	- 11	- 104	- 56	- 88	3.1
- 17	+ 30	+ 52	+ 15	+ 34	- 136	+ 12	+ 131	3.2
+ 291	+ 274	+ 418	+ 408	+ 711	+ 1,465	+ 1,300	+ 1,811	4
- 131	- 48	- 101	- 126	- 119	- 499	- 338	- 394	5
- 70	- 142	- 132	- 69	- 119	- 401	- 418	- 462	6,7,8
- 3	- 9	- 23	- 10	- 8	- 35	- 38	- 50	9
+ 2	+ 1	+ 20	+ 2	+ 2	+ 24	+ 34	+ 25	10
-	-	+ 44	-	-	+ 32	+ 44	+ 44	11
+ 49	+ 87	+ 94	+ 8	+ 2	+ 10	+ 269	+ 191	13
- 59	+ 7	+ 28	+ 7	- 2	+ 10	+ 24	+ 40	14.1
- 7	- 2	+ 11	- 4	- 3	+ 5	- 4	+ 2	14.2
+ 8	- 17	- 2	+ 23	+ 1	- 15	+ 4	+ 5	14.3
+ 28	- 435	- 382	- 647	- 76	- 258	- 802	- 1,540	17
+ 256	+ 301	+ 505	+ 95	+ 697	+ 1,061	+ 1,339	+ 1,598	E 1
- 30	- 447	- 345	- 621	- 80	- 258	- 778	- 1,493	2
+ 226	- 146	+ 160	- 526	+ 617	+ 803	+ 561	+ 105	3
- 37	+ 55	+ 51	- 23	+ 355	- 462	+ 34	+ 438	H = C+E 1
- 17	+ 1	- 22	- 471	+ 130	+ 103	- 16	- 362	2
-	-	-	- 271	+ 135	-	-	- 136	3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

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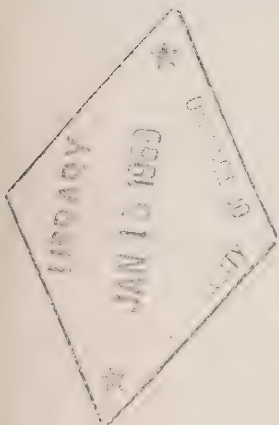


Government
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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER 1968

Contains statistics of Canada's
international investment position
at the end of 1965.



Published by Authority of
The Minister of Trade and Commerce

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Vol. 16—No. 3

The basic historical record of the Canadian quarterly Balance of Payments with all countries (including bilateral transactions) may be obtained from the following publications.

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
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Note: Additional subsidiary detail published regularly may be traced through the successive quarterly reports.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER 1968

Canada's current account balance from transactions with the rest of the world rose in the third quarter by \$103 million to a surplus of \$305 million in 1968 from \$202 million in 1967. This increase reflects a \$385 million rise in the merchandise trade surplus, as exports to the United States continued to be very buoyant, which was partly offset by a swing of \$282 million in the non-merchandise balance due mainly to travel account transactions. Capital movements produced a net outflow of \$145 million, virtually unchanged from the corresponding period of 1967, as a rise in long-term inflows was offset by increased short-term capital outflows. The growth in official net monetary assets at \$160 million was \$104 million larger in the third quarter of 1968 than in 1967.

Summary Statement

	1966	1967	1967		1968		
			III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
Merchandise trade balance	+ 224	+ 481	+ 86	+ 291	+ 236	+ 362	+ 471
Balance on non-merchandise transactions	- 1,386	- 1,024	+ 116	- 422	- 479	- 359	- 166
Current account balance	- 1,162	- 543	+ 202	- 131	- 243	+ 3	+ 305
Capital movements in long-term forms ..	+ 1,061	+ 1,339	+ 301	+ 505	+ 121	+ 713	+ 427
Capital movements in short-term forms	- 258	- 778	- 447	- 345	- 643	- 96	- 572
Net capital movement(1)	+ 803	+ 561	- 146	+ 160	- 522	+ 617	- 145
Official monetary movements(2)	- 359	+ 18	+ 56	+ 29	- 765	+ 620	+ 160

(1) Excluding items in final line.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

In the first nine months of 1968 there was a change of \$477 million in the current account balance compared with the previous year as the 1967 deficit of \$412 million swung to a surplus of \$65 million in the period under review. The decreased deficit in current account transactions with the United States accounted for over 90 per cent of this change. Capital account movements, however, went from a \$401 million inflow in 1967 to a \$50 million outflow in 1968 while there was a swing in official net monetary assets of \$26 million from a decline of \$11 million in 1967 to an increase of \$15 million in 1968.

Merchandise Trade Surplus Increases

In the third quarter of 1968 Canadian merchandise exports increased by 24 per cent or \$648 million over the corresponding period in 1967, to \$3,351 million. Both in absolute and relative terms the third quarter year-over-year increase in exports was the highest so far in 1968. Merchandise imports increasing at a lower rate than exports rose by 10 per cent to \$2,880 million. In the first nine months of this year merchandise exports increased by 19 per cent to \$9,911 million from \$8,330 million in the same period last year while imports increased by about 9 per cent to \$8,842 million.

With exports increasing by \$1,581 million and imports by \$702 million the merchandise trade surplus of \$1,069 million in the first nine months of 1968 was nearly six-fold that in the same period of 1967. The over-the-year trade surplus increased by \$879 million, about 44 per cent of which was contributed by the increased surplus in the third quarter.

Adjustments to regularly published trade figures for balance of payments use consisted primarily of deductions from exports to cover adjustments for timing of wheat shipments and smaller additions of net progress payments on aircraft. There were no significant adjustments required in respect of import figures.

Summary of Current Transactions with the United States, United Kingdom and Other Countries
1967 and 1968, and Changes Between the Periods

	1967	1968	Change	1967	1968	Change
	millions of dollars					
<u>Third quarter</u>	<u>All Countries</u>			<u>United States</u>		
Merchandise exports (adjusted)	2,703	3,351	+ 648	1,752	2,208	+ 456
Merchandise imports (adjusted)	2,617	2,880	+ 263	1,865	2,040	+ 175
Balance on merchandise trade	+ 86	+ 471	+ 385	- 113	+ 168	+ 281
Other current receipts	1,325	1,216	- 109	991	882	- 109
Other current payments	1,209	1,382	+ 173	825	926	+ 101
Balance on non-merchandise transactions ...	+ 116	- 166	- 282	+ 166	- 44	- 210
Total receipts	4,028	4,567	+ 539	2,743	3,090	+ 347
Total payments	3,826	4,262	+ 436	2,690	2,966	+ 276
Current account balance	+ 202	+ 305	+ 103	+ 53	+ 124	+ 71
<u>January to September</u>						
Merchandise exports (adjusted)	8,330	9,911	+ 1,581	5,278	6,623	+ 1,345
Merchandise imports (adjusted)	8,140	8,842	+ 702	5,971	6,491	+ 520
Balance on merchandise trade	+ 190	+ 1,069	+ 879	- 693	+ 132	+ 825
Other current receipts	2,896	2,710	- 186	1,994	1,829	- 165
Other current payments	3,498	3,714	+ 216	2,350	2,574	+ 224
Balance on non-merchandise transactions ...	- 602	- 1,004	- 402	- 356	- 745	- 389
Total receipts	11,226	12,621	+ 1,395	7,272	8,452	+ 1,180
Total payments	11,638	12,556	+ 918	8,321	9,065	+ 744
Current account balance	- 412	+ 65	+ 477	- 1,049	- 613	+ 436
<u>Third quarter</u>	<u>United Kingdom</u>			<u>Other Countries</u>		
Merchandise exports (adjusted)	286	323	+ 37	665	820	+ 155
Merchandise imports (adjusted)	161	161	-	591	679	+ 88
Balance on merchandise trade	+ 125	+ 162	+ 37	+ 74	+ 141	+ 67
Other current receipts	106	102	- 4	228	232	+ 4
Other current payments	143	156	+ 13	241	300	+ 59
Balance on non-merchandise transactions ...	- 37	- 54	- 17	- 13	- 68	- 55
Total receipts	392	425	+ 33	893	1,052	+ 159
Total payments	304	317	+ 13	832	979	+ 147
Current account balance	+ 88	+ 108	+ 20	+ 61	+ 73	+ 12
<u>January to September</u>						
Merchandise exports (adjusted)	887	937	+ 50	2,165	2,351	+ 186
Merchandise imports (adjusted)	509	501	- 8	1,660	1,850	+ 190
Balance on merchandise trade	+ 378	+ 436	+ 58	+ 505	+ 501	- 4
Other current receipts	286	280	- 6	616	601	- 15
Other current payments	343	367	+ 24	805	773	- 32
Balance on non-merchandise transactions ...	- 57	- 87	- 30	- 189	- 172	+ 17
Total receipts	1,173	1,217	+ 44	2,781	2,952	+ 171
Total payments	852	868	+ 16	2,465	2,623	+ 158
Current account balance	+ 321	+ 349	+ 28	+ 316	+ 329	+ 13

Note: Omission of items A7 and B7 for inheritances and migrants' funds in the main balance of payments table at the back of this report yields exports and imports of goods and services as published in the National Accounts.

Increases in exports of automotive products amounting to about \$560 million accounted for some 35 per cent of the increase of merchandise exports in the first nine months of 1968 over the same period in 1967. Other important increases in exports of about \$140 million occurred in copper ores and alloys. In the iron and steel groups there were increases of some \$160 million and in wood pulp, lumber and sawmill products there were increases of about \$150 million. Exports of nickel in ores and alloys were higher by about \$65 million whilst exports of aircraft, engines and parts rose by about \$55 million. Smaller increases occurred in a number of other commodities including live animals, whisky, aluminum, newsprint, fertilizers and communications equipment. Clearances of wheat which fell by approximately \$50 million were influenced by lower shipments to India, Pakistan, Russia, Japan, South Africa and the United Kingdom. However sales of wheat to Mainland China increased by about \$50 million. There was an increase in exports of other food products and a reduction in exports of agricultural machinery.

Automotive products accounted for about four-fifths of the increase in merchandise imports during the first nine months of 1968 compared with the same period in 1967. Deliveries of aircraft and parts accounted for some \$65 million of the increase in the value of recorded imports but the effect on the merchandise trade item of the balance of payments was partly offset by the earlier inclusion of related progress payments. There was also a rise in imports of crude petroleum and fuel oil of about \$25 million and in imports of aluminum, precious metals, machinery and wearing apparel. Relatively important reductions occurred in imports of iron and steel and agricultural machinery of about \$37 million and \$56 million respectively.

Average export prices in the first nine months of 1968 were approximately 3 per cent above the average for the corresponding period in and for the whole of 1967. This rise in prices between 1967 and 1968 was actually about one per cent higher than that between 1966 and 1967 in respect of the same period. The principal increases occurred in the prices of live animals, crude and fabricated materials. A small decline took place in the prices of the food, feed, beverages and tobacco group. Average import prices in the first nine months of 1968 were just over 2 per cent above the average for the same period in 1967.

Deficit on Non-Merchandise Transactions Increases

A decrease of \$186 million in non-merchandise receipts and an increase of \$216 million in payments between the January to September period in 1967 and 1968 contributed to an increase of 67 per cent in the deficit on non-merchandise transactions to \$1,004 million.

Balances on Principal Non-merchandise Transactions

	First nine months			Change in 1968
	1966	1967	1968	
	millions of dollars			
Gold production available for export	+ 95	+ 86	+ 84	- 2
Travel expenditures	- 33	+ 419	+ 35	- 384
Interest and dividends	- 522	- 607	- 678	- 71
Freight and shipping	- 54	- 33	- 16	+ 17
Inheritances and migrants' funds	+ 61	+ 108	+ 128	+ 20
Official contributions	- 133	- 152	- 104	+ 48
All other current transactions	- 332	- 423	- 453	- 30
Balance on non-merchandise transactions	- 918	- 602	- 1,004	- 402

Some 96 per cent of the increase of \$402 million was accounted for by changes in travel transactions, receipts falling by \$274 million and payments rising by \$110 million. The changes in the travel account reflect the absence in 1968 of the special stimulus of Expo 67 and other Centennial activities. The impact of the return to more normal circumstances was naturally felt largely in the third quarter during which the travel surplus fell by \$257 million from the same quarter in 1967 to \$173 million drawing close to the 1965 and 1966 third quarters' surpluses of \$139 million and \$140 million respectively. Over 58 per cent of the decline in total receipts and about 80 per cent of the increase in total payments between the two periods in 1968 and 1967 occurred in the third quarter of 1968, in the course of which expenditure of United States travellers in Canada fell by about 22 per cent to \$498 million and payments by Canadian travellers in the United States rose by over 30 per cent

to \$240 million. Moreover receipts from travellers from overseas countries fell by over 30 per cent to \$50 million whilst expenditures by Canadians in such countries went up by about 44 per cent to \$135 million. Total travel receipts fell by 24 per cent and payments increased by 15 per cent in the first nine months of 1968 to \$862 million and \$827 million respectively. The surplus of \$35 million, equivalent to 8 per cent of the 1967 surplus for the same period indicated however the best performance, with the exception of that in 1967, during the last ten years.

Travel Expenditures

	First nine months			Change in 1968
	1966	1967	1968	
millions of dollars				
United States:				
Receipts ...	622	1,010	771	- 239
Payments ...	525	503	570	+ 67
Balance	+ 97	+ 507	+ 201	- 306
Overseas:				
Receipts ...	90	126	91	- 35
Payments ...	220	214	257	+ 43
Balance	- 130	- 88	- 166	- 78
All countries:				
Receipts ...	712	1,136	862	- 274
Payments ...	745	717	827	+ 110
Balance	- 33	+ 419	+ 35	- 384

Interest and Dividends: Payments

Period	Total	Interest	Dividends
	millions of dollars		
1966	1,140	429	711
1967	1,190	471	719
1967 I Q ...	249	105	144
II Q ...	272	130	142
III Q ...	270	106	164
IV Q ...	399	130	269
1968 I Q ...	292	122	170
II Q ...	315	144	171
III Q ...	298	123	175

Other non-merchandise items showing increased deficits are interest and dividends and other current transactions such as miscellaneous income and business services. Offsetting these increased deficits there were improved balances in freight and shipping transactions, migrants' funds and inheritances and official contributions.

Net interest and dividend payments in the first nine months of 1968 rose by \$71 million or almost 12 per cent to \$678 million, compared with \$607 million in the corresponding period of 1967. This net increase was accounted for by a \$114 million expansion of interest and dividend payments to \$905 million which was partially offset \$43 million by higher income receipts which rose from \$184 million to \$227 million. Increased profits of unincorporated branches of foreign companies together with expanded payments by Canadian subsidiaries to their United States parent companies accounted for most of the \$66 million increase in dividend payments to \$516 million in the first three quarters. Interest payments increased by \$48 million to \$389 million following large United States purchases in 1967 of new bond issues of provincial governments and corporations. Dividend receipts increased by \$33 million, reflecting increased receipts on both direct and portfolio investment as well as an exceptional withholding tax adjustment in 1967. Interest receipts rose by \$10 million. An important element in interest receipts has been net income on official holdings of foreign exchange. Almost 68 per cent of the total deficit on non-merchandise transactions for the first nine months of 1968 was attributable to interest and dividends.

The surplus in the migrants' funds and inheritances item increased by over 18 per cent to \$128 million, a rise of \$20 million over 1967. This change resulted from a higher level of per capita funds brought by immigrants in particular from the Middle East, from the United States and from other sterling area countries.

The deficit on freight and shipping transactions was roughly halved to \$16 million. In line with the changes in the pattern of merchandise trade, freight and shipping receipts increased at a higher rate than payments. At \$674 million receipts rose by 9 per cent whilst payments rose by 6 per cent to \$690 million.

The level of official contributions in the first three quarters of 1968 fell \$48 million to \$104 million from the same period of 1967. However, there have been changes in the timing pattern of these transactions and during the third quarter of 1968 official contributions increased to \$51 million from \$20 million in the corresponding quarter of 1967. About half of official contributions was given under the international food aid programme, with wheat and wheat flour shipments constituting a large proportion as in the past.

Current Transactions in the Third Quarter (Seasonally Adjusted)

Balances on Current Transactions

(Seasonally adjusted at quarterly rates)

	Merchandise balance	Balance on non- merchandise transactions	Current account balance(1)
	millions of dollars		
<u>1967</u>			
I Q	+ 172	- 306	- 134
II Q	+ 79	- 265	- 186
III Q	- 63	- 122	- 185
IV Q	+ 293	- 331	- 38
Year	+ 481	- 1,024	- 543
<u>1968</u>			
I Q	+ 317	- 373	- 56
II Q	+ 427	- 330	+ 97
III Q	+ 318	- 390	- 72

(1) Omission of inheritances and migrants' funds (as shown in the following statement) yields exports and imports of goods and services as published in the National Accounts (seasonally adjusted at annual rates).

Seasonally adjusted at quarterly rates the current account balance has changed from a surplus of \$97 million in the second quarter to a deficit of \$72 million in the third quarter of 1968. Total receipts from goods and services showed a slight decrease of about one per cent to \$4,249 million; total payments increased by 3 per cent to \$4,321 million. On the receipts side, the reduction was due to the fall in merchandise exports which exceeded the rise in non-merchandise exports by \$37 million. On the payments side, both merchandise and non-merchandise imports increased, the former by 2 per cent and the latter by 6 per cent. The increase of \$54 million in travel expenditures abroad accounted for 77 per cent of the increase in total non-merchandise payments. The decline in the travel balance by \$66 million accounted for 39 per cent of the change of \$169 million in the current account. The merchandise balance accounted for over 65 per cent. Against these adverse movements and the relatively small ones in freight and shipping transactions and in miscellaneous current transactions, the surplus in the migrants' funds and inheritances item increased by 23 per cent to \$48 million.

Exports and Imports of Goods and Services

(Seasonally adjusted at quarterly rates)

	<u>1967</u>					<u>1968</u>		
	I Q	II Q	III Q	IV Q	Year	I Q	II Q	III Q
	millions of dollars							
<u>Receipts</u>								
Merchandise exports (adjusted)	2,862	2,876	2,678	2,971	11,387	3,297	3,381	3,334
Gold production available for export	31	29	26	26	112	28	29	27
Travel expenditures	238	371	436	259	1,304	228	270	258
Interest and dividends	80	59	78	77	294	77	88	100
Freight and shipping	208	212	208	217	845	229	232	227
Inheritances and migrants' funds(1)	80	87	88	82	337	76	92	106
All other transactions	211	194	202	199	806	184	194	197
Sub-totals, non-merchandise transactions	848	952	1,038	860	3,698	822	905	915
Totals	3,710	3,828	3,716	3,831	15,085	4,119	4,286	4,249
<u>Payments</u>								
Merchandise imports (adjusted)	2,690	2,797	2,741	2,678	10,906	2,980	2,954	3,016
Gold production available for export	-	-	-	-	-	-	-	-
Travel expenditures	234	212	205	226	877	235	226	280
Interest and dividends	266	297	319	308	1,190	314	342	351
Freight and shipping	222	222	217	223	884	238	234	230
Inheritances and migrants' funds(1)	52	52	56	53	213	51	53	58
All other transactions (including official contributions)	380	434	363	381	1,558	357	380	386
Sub-totals, non-merchandise transactions	1,154	1,217	1,160	1,191	4,722	1,195	1,235	1,305
Totals	3,844	4,014	3,901	3,869	15,628	4,175	4,189	4,321

(1) Omission of inheritances and migrants' funds yields exports and imports of goods and services as published in the National Accounts (seasonally adjusted at annual rates).

Transactions by Areas

In the period January to September 1968 total receipts from transactions in goods and services with the United States rose by 16 per cent to \$8,452 million and total payments rose by 9 per cent to \$9,065 million over the same period in 1967. The current account deficit with the United States was thus reduced by \$436 million to \$613 million.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1966	- 590	- 605	- 191	- 644	- 2,030
1967	- 582	- 520	+ 53	- 330	- 1,379
1968	- 455	- 282	+ 124		
United Kingdom:					
1966	+ 106	+ 110	+ 101	+ 108	+ 425
1967	+ 125	+ 108	+ 88	+ 163	+ 484
1968	+ 118	+ 123	+ 108		
Other countries:					
1966	+ 97	+ 115	+ 123	+ 108	+ 443
1967	+ 123	+ 132	+ 61	+ 36	+ 352
1968	+ 94	+ 162	+ 73		
All countries:					
1966	- 387	- 380	+ 33	- 428	- 1,162
1967	- 334	- 280	+ 202	- 131	- 543
1968	- 243	+ 3	+ 305		

Over the same periods merchandise exports to the United States rose by over 25 per cent to \$6,623 million. Imports rose by 9 per cent to \$6,491 million. The United States market accounted for 85 per cent and for 74 per cent of the increase in Canadian merchandise exports and imports respectively. Total receipts from the exports of goods and services rose by \$1,180 million or about 16 per cent to \$8,452 million. Total current payments increased by 9 per cent to \$9,065 million. The merchandise balance with the United States in the first three quarters of 1968 showed a surplus of \$132 million representing an increase of \$825 million over the first nine months of 1967. The increase of \$1,345 million in exports to the United States was spread over a relatively wide range of goods. Exports of automobiles and other automotive products increased by over \$520 million; together with increases in the export of aircraft, engines and parts and other communications and related equipment, these changes accounted for about 44 per cent of the total increase in merchandise exports to the United States. Shipments of iron ore, steel and copper ores and alloys increased by about \$193 million, whilst shipments of nickel ores and alloys, aluminum, silver and platinum

rose by about another \$123 million. Exports of lumber and wood pulp were up by about \$130 million. Deliveries of crude petroleum and natural gas increased by about \$66 million. A variety of other commodities also showing increases included live animals, whisky, fertilizers, newsprint and other paper. Exports of agricultural machinery and navigation equipment fell by about \$32 million.

Imports of motor vehicles, engines and parts from the United States also showed an important increase amounting to some \$450 million. Offsetting this increase in imports of automotive products and in that of other commodities including coal, fuel oil and precious metals there were reductions in imports of iron and steel, agricultural machinery, electronic computers, raw cotton and cotton fabrics.

On the invisibles side the negative gap between receipts and payments in transactions with the United States was widened. The deficit, after taking into account \$84 million in respect of the gold production available for export which is normally included in receipts from the United States, increased by \$389 million to \$745 million. This expansion in the deficit resulted from a reduction of 8 per cent in receipts and an increase of over 9 per cent in payments. The bulk of the increase in the deficit was due to the reduction in the travel surplus which fell by \$306 million. The other major component which contributed to the increase in the deficit was the interest and dividend item on which the deficit increased by \$77 million. Together these two items accounted for nearly all the increase in the deficit with the United States. An increased deficit of \$25 million occurred in miscellaneous transactions including an increase in the deficit of about \$13 million on business services. There was an improved balance in freight and shipping transactions of about \$6 million and of about \$15 million on the balance of migrants' funds and inheritances.

If the credit representing new gold production available for export is excluded Canada's current account surplus with the United States in the third quarter of 1968 was \$97 million. Capital movements between the two countries produced a net outflow of \$475 million as long-term inflows fell by \$69 million to \$301 million and short-term outflows jumped by \$567 million to \$776 million. In sum these transactions with the United States gave rise to net payments by Canada of \$378 million.

Canada's Bilateral Accounts with the United States and the Rest of the World

	1966	1967	1967		1968		
			III Q	IV Q	I Q	II Q	III Q
	millions of dollars						
Transactions with the United States:(1)							
Current account balance	- 2,157	- 1,491	+ 27	- 356	- 484	- 310	+ 97
Capital movements in long-term forms	+ 1,238	+ 1,227	+ 297	+ 401	+ 95	+ 370	+ 301
Capital movements in short-term forms	- 179	- 891	- 538	- 256	- 465	- 209	- 776
Totals	- 1,098	- 1,155	- 214	- 211	- 854	- 149	- 378
Transactions with the rest of the world:							
Current account balance	+ 868	+ 836	+ 149	+ 199	+ 212	+ 285	+ 181
Capital movements in long-term forms	- 177	+ 112	+ 4	+ 104	+ 26	+ 343	+ 126
Capital movements in short-term forms	- 79	+ 113	+ 91	- 89	- 178	+ 113	+ 204
Totals	+ 612	+ 1,061	+ 244	+ 214	+ 60	+ 741	+ 511
Gold production available for export	+ 127	+ 112	+ 26	+ 26	+ 29	+ 28	+ 27
Official monetary movements(2)	- 359	+ 18	+ 56	+ 29	- 765	+ 620	+ 160

(1) Excluding gold production available for export shown separately below.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

Transactions in goods and services with the United Kingdom in the first nine months of 1968 showed an increase of 4 per cent to \$1,217 million in total receipts and of 2 per cent to \$868 million in total payments over the corresponding period in 1967. The current account surplus rose by \$28 million, or 9 per cent to \$349 million. Merchandise trade showed a relatively small improvement between the two periods. Exports increased by \$50 million to \$937 million while imports fell by \$8 million to \$501 million. The trade surplus with the United Kingdom thus showed an increase of 15 per cent rising to \$436 million. The increase in exports took place mainly in the crude materials group of commodities, in which exports of copper rose by about \$17 million and nickel ores and alloys by about \$24 million. Smaller individual increases totalling about \$32 million occurred in exports of aluminum, platinum, silver and wood pulp, newsprint paper and tobacco. Exports of lumber and sawmill products, wheat and barley on the other hand declined by about \$35 million.

On non-merchandise transactions, there was a relatively small change in the balance, with the deficit increasing by \$30 million to \$87 million. As in the case of the United States this was due mainly to an increased deficit of \$22 million on travel account where receipts fell by 27 per cent and payments increased by 19 per cent. Small increases in the deficits on interest and dividends and on miscellaneous transactions mainly business services together with a reduction in the migrants' funds surplus amounting in all to \$14 million offset by a rise of \$6 million in freight and shipping transactions accounted for the balance of the deficit on invisibles with the United Kingdom.

The current account surplus in transactions with other countries increased by \$13 million to \$329 million between January to September 1967 and January to September 1968. The change was the result of a decrease of 9 per cent in the deficit on non-merchandise transactions slightly reduced by a decrease of about one per cent in the merchandise surplus due to imports increasing by about 3 per cent more than exports during the periods January to September 1967 and 1968. Within this group of countries the Rest of the Sterling Area with an increased surplus of \$52 million contributed to the improved current account balance offsetting the increased deficit of nearly \$40 million of the remaining

group of countries. The improvement in the balance with the Rest of the Sterling Area is due primarily to the reduction by \$70 million in official contributions and by an increase of about 20 per cent in receipts of immigrants' funds and inheritances. Official contributions to the remaining countries increased by \$22 million from \$12 million in the period January to September 1967.

Shipments of wheat to Japan, South Africa and the U.S.S.R. were reduced but there were increases of about \$53 million to China and Hungary. There were increases in exports of crude metals to West Germany, Luxembourg and Belgium, Spain and Japan and of wood pulp, lumber and newsprint to the European Common Market countries and to Japan. Exports to countries in the Middle East, South and Central America and Australia were higher, with significant reductions in the case of New Zealand, Jamaica, Trinidad and Tobago and Peru. Imports from France, Belgium and Luxembourg, Switzerland, Libya and Nigeria were significantly lower; significant increases in imports, over 50 per cent of which consisted of crude petroleum and fuel oil from Venezuela, were also recorded for West Germany, Japan, Taiwan and Mexico.

Total current and capital account receipts by Canada from transactions with the United Kingdom and other overseas countries fell substantially from the \$741 million recorded in the second quarter but still remained at the relatively high level of \$511 million. Decreases in the favourable current account balance and long-term capital inflow of about \$100 million and over \$200 million respectively were evident in this swing which were partially offset by an increase in the short-term capital inflow of about \$100 million.

The \$133 million difference between the net receipts from overseas countries and the smaller payments to the United States together with the \$27 million of gold production available for export were both reflected in the \$160 million rise in official holdings of monetary gold, foreign exchange and IMF balance less the reciprocal swap facility with the Federal Reserve System.

Capital Movements

Summary

Item	1966	1967	1967		1968		
			III Q	IV Q	I Q	II Q	III Q
millions of dollars							
Capital movements in long-term forms	+ 1,061	+ 1,339	+ 301	+ 505	+ 121	+ 713	+ 427
Capital movements in short-term forms ...	- 258	- 778	- 447	- 345	- 643	- 96	- 572
Balance on goods and services	- 1,162	- 543	+ 202	- 131	- 243	+ 3	+ 305
Official monetary movements(1)	- 359	+ 18	+ 56	+ 29	- 765	+ 620	+ 160

(1) Change in holdings of monetary gold, foreign exchange, and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

On balance capital movements in the third quarter of 1968 led to a net outflow of \$145 million, a swing of \$762 million from the second quarter inflow of \$617 million. A drop in long-term inflows contributed \$286 million to this change while a rise in short-term outflows accounted for \$476 million. The continued strength of the current account balance augmented by seasonal factors resulted in a surplus of \$305 million so that the balance of current and capital transactions produced an increase of \$160 million in official net monetary assets.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1966	+ 1,061	+ 860
1967	+ 1,339	+ 1,587
1967 I Q	+ 277	+ 330
II Q	+ 256	+ 360
III Q	+ 301	+ 460
IV Q	+ 505	+ 437
1968 I Q	+ 121	+ 187
II Q	+ 713	+ 615
III Q	+ 427	+ 437

Although down substantially from the second quarter total, sales abroad of new Canadian issues continued to make by far the most significant contribution to the net import of long-term capital in the quarter under review. Inflows for direct investment in Canada were also prominent. The main outflows arose from Canadian net purchases of foreign securities and, to a lesser degree, retirements of corporate long-term miscellaneous and funded debt. Sales of new issues of Canadian securities are taken into the balance of payments at the time of delivery. In contrast to the previous quarter total deliveries in the third approximated total offerings. The effect of adjusting actual long-term capital inflows to reflect the timing of security offerings is shown in the accompanying statement.

Capital movements in short-term forms led to a net outflow of \$572 million, some \$476 million more than in the second quarter. An increase in Canadian holdings of foreign currency bank deposits and other short-term funds abroad

resulted in a significant net capital outflow which was augmented by a reduction in non-resident holdings of Canadian money market instruments, mainly Canadian finance company paper. The principal net outflow, however, continued to be recorded in the "all other transactions" category which includes changes in loans and accounts receivable and payable as well as the balancing item.

The net spot holdings of foreign currency assets of the Canadian chartered banks vis-à-vis non-residents rose on a transactions basis by \$174 million in the quarter while those with Canadians declined by \$111 million to produce an overall increase of \$63 million. Claims on residents of the United States and overseas countries rose by \$207 million and \$95 million respectively while liabilities declined to United States residents by \$145 million but increased by \$273 million with overseas countries(1). Foreign claims on Canadians were reduced by \$7 million while liabilities increased by \$104 million. Thus the net increase of \$63 million in foreign currency assets reflects a rise in net assets of \$352 million with residents of the United States and declines of \$178 million and \$111 million with residents of overseas countries and Canada, respectively. These figures cannot be identified separately in the balance of payments presentation in this report but form elements of several of the items.

Direct Investment

The net capital inflow for direct investment in foreign-controlled enterprises at \$185 million in the quarter under review continued at the relatively high level established in the previous quarter. About two-thirds of the total again came from the United States with the remainder supplied in approximately equal proportions by the United Kingdom, continental European countries and other countries. Mining and manufacturing continued to receive most of this inflow. The proportion of the total identified as being for the purchase of already existing assets rather than new capital formation or change in working capital declined sharply from the second quarter's 20 per cent to about 5 per cent in the third.

Capital movements for Canadian direct investment abroad reverted to the pattern of outflows which had been interrupted by the second quarter net disinvestment of \$10 million. The third quarter outflow of \$15 million was distributed among all the industrial sectors with none of paramount importance. Geographically, net outflows were divided about equally between the United Kingdom and other overseas countries as transactions with the United States produced a negligible inflow.

Security transactions

The net capital inflow of \$317 million recorded during the third quarter from transactions in portfolio securities between Canada and other countries, although relatively large, represented a drop

(1) Gold holdings of the Canadian chartered banks are included with their claims on residents of overseas countries.

of over one third from the record high \$494 million net inflow of the previous quarter. Every category except retirements of Canadian securities contributed to this decline, with the major factor being the decrease of \$217 million in the net inflow from the sale to non-residents of new issues of Canadian securities. All in all net sales of Canadian securities fell some \$162 million to \$448 million. The net outflow due to transactions in foreign securities rose \$15 million to \$131 million.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1967		1968		
	1966	1967	III Q	IV Q	I Q	II Q	III Q
millions of dollars							
Canadian securities:							
Outstanding - Bonds	- 104	- 56	- 10	- 14	- 53	- 11	- 13
Stocks	- 136	+ 12	+ 30	+ 52	+ 15	+ 34	+ 10
New issues	+ 1,465	+ 1,300	+ 274	+ 418	+ 408	+ 706	+ 489
Retirements	- 499	- 338	- 48	- 101	- 126	- 119	- 38
Foreign securities:							
Outstanding issues	- 361	- 367	- 129	- 126	- 56	- 113	- 120
New issues	- 57	- 66	- 16	- 13	- 23	- 10	- 14
Retirements	+ 17	+ 15	+ 3	+ 7	+ 9	+ 7	+ 3
Totals, all countries	+ 325	+ 500	+ 104	+ 223	+ 174	+ 494	+ 317
United States	+ 415	+ 578	+ 120	+ 214	+ 153	+ 243	+ 141
United Kingdom	- 22	- 61	- 14	+ 3	+ 11	- 13	+ 4
Other countries	- 68	- 17	- 2	+ 6	+ 10	+ 264	+ 172

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
millions of dollars			
1966	1,156	1,357	122
1967	1,448	1,200	370
1967 I Q	348	295	175
II Q	378	274	279
III Q	418	259	438
IV Q	304	372	370
1968 I Q	398	332	436
II Q	328	426	338
III Q	282	272	348

(1) At end of period.

balance from transactions in outstanding Canadian securities during the quarter amounted to \$3 million or a swing of \$26 million from the net inflow of \$23 million in the second quarter. Trading in outstanding Canadian common and preference shares produced a fifth consecutive net quarterly inflow at \$10 million, following procession of consistent net outflows from the second quarter of 1961 to the second quarter of 1967.

Retirements of Canadian securities in the third quarter at \$38 million moved to less than one-third those of the previous quarter. Retirements of all categories of Canadian bonds were lower than in the previous quarter, with corporate and Government of Canada issues showing the largest declines.

Sales of Canadian new issues fell back from the \$706 million peak in the second quarter to \$489 million in the quarter under review. While the Government of Canada had replenished official exchange reserves through the sale abroad in the second quarter, largely in European capital markets, of about \$250 million of new issues denominated in foreign currencies, there were no such sales in the third quarter. On the other hand, sales to non-residents of provincial government direct or guaranteed new issues rose sharply from the relatively high second quarter figure of \$174 million to a record \$280 million. Over half of this total was derived from the European markets. New bond issues of Canadian corporations fell from the rather large \$232 million second quarter figure to \$149 million. However new stock issues taken up by non-residents rose to \$27 million the highest in two and a half years. Total offerings of new Canadian bonds and debentures to United States residents fell to \$282 million during the quarter, the lowest since the fourth quarter of 1966. The net purchase

Net purchases by Canadian residents of foreign securities as mentioned above moved up to \$131 million. Increases by Canadian residents in their holdings of outstanding United States common and preference shares accounted for a net outflow of nearly \$119 million or over 90 per cent of the total.

Other Capital Flows in Long-term Forms

Intergovernmental loan disbursements by Canada, all under the development loan program, totalled \$12 million in the third quarter of 1968. Geographically, all but \$2 million went to Asian countries. A further subscription of almost \$3 million was made to an international investment agency. Repayments of principal on outstanding intergovernmental loans under earlier programs aggregated \$1 million.

Detail of Long-term Capital Transactions n.i.e. Item D13

Year and quarter	Export credits(1)						Sub- total	Other trans- actions	Total
	Wheat			Other commodities					
	Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net			
	millions of dollars								
1966	- 191	+ 153	- 38	- 65	+ 56	- 9	- 47	+ 57	+ 10
1967	- 91	+ 219	+ 128	- 59	+ 39	- 20	+ 108	+ 161	+ 269
1967 I Q	- 27	+ 46	+ 19	- 12	+ 10	- 2	+ 17	+ 22	+ 39
II Q	- 39	+ 95	+ 56	- 14	+ 8	- 6	+ 50	- 1	+ 49
III Q	- 24	+ 42	+ 18	- 10	+ 11	+ 1	+ 19	+ 68	+ 87
IV Q	- 1	+ 36	+ 35	- 23	+ 10	- 13	+ 22	+ 72	+ 94
1968 I Q	- 25	+ 76	+ 51	- 19	+ 12	- 7	+ 44	- 14	+ 30
II Q	- 45	+ 49	+ 4	- 14	+ 10	- 4	-	+ 15	+ 15
III Q	- 49	+ 55	+ 6	- 21	+ 13	- 8	- 2	- 44	- 46

(1) Medium and long-term export credits extended from Canada directly or indirectly at risk of the Government of Canada.

Transactions during the quarter arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government of Canada led to a capital outflow of \$2 million. The sharp decline in the net repayment balance related to wheat exports evident in the second quarter was again apparent in the quarter under review.

All other transactions in long-term forms led to a net outflow of \$44 million. Repayments of corporate borrowings contributed significantly to this movement.

Capital Movements in Short-term Forms

The net outflow for capital movements in short-term forms rose sharply from the low second quarter figure of \$96 million to \$572 million in the third quarter. Long-term interest rates, as measured by average yields on Government of Canada bonds, edged down 2 basis points to about 6.60 per cent by the end of September well below the 7 per cent high registered in May 1968. Yields on comparable United States government bonds remained lower by some 125 to 145 basis points throughout this period. Short-term interest rates, as indicated by three month Canadian treasury bill yields, dropped over one hundred basis points in the first two months of the quarter then rose in September to register finally a drop of 84 basis points for the quarter as a whole. The hedged yield differential between Canada and the United States reversed from a small net advantage for Canadian bills to a relatively large advantage for United States bills by the end of July which was reduced substantially by the end of September.

Non-resident holdings of Canadian dollars rose by \$16 million in the quarter. This movement comprised increases of \$4 million, \$1 million, and \$11 million in Canadian dollar deposits, Government

of Canada demand liabilities and Canadian treasury bills respectively. The expansion of treasury bill holdings by residents of countries other than the United States and the United Kingdom accounted for more than half of the increase in Canadian dollar holdings of non-residents.

Composition of "Other Capital Movements"
(A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1966	1967	1967		1968		
			III Q	IV Q	I Q	II Q	III Q
millions of dollars							
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 601	- 286	- 311	- 351	- 125	+ 28	- 151
17.2 Canadian commercial paper, etc.	-	+ 11	+ 1	+ 11	+ 7	- 17	+ 2
17.3 Canadian finance company paper	- 4	- 54	- 55	+ 18	- 60	- 35	- 37
17.4 Canadian finance company obligations, n.i.e.	+ 154	+ 34	- 31	+ 71	- 7	- 6	- 1
17.5 All other transactions(1)	+ 193	- 507	- 39	- 131	- 485	- 68	- 401
Total (Item D 17)	- 258	- 802	- 435	- 382	- 670	- 98	- 588

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

On balance Canadian holdings of bank balances and other short-term funds abroad (excluding official reserves) increased by \$151 million in the quarter, a switch of \$179 million from the decrease of \$28 million in the second quarter. Transactions associated with swapped deposits contributed to this net outflow as Canadian holdings of these instruments rose in the quarter by about \$164 million to a total of \$744 million. In contrast resident holdings of other foreign currency deposits with the chartered banks fell in the quarter.

Non-resident holdings of Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) continued to decline in the quarter resulting in a net outflow of \$37 million while transactions in other finance company obligations of a short-term nature (which include borrowing from foreign banks and advances from parent companies) led on balance to a further net outflow of \$1 million. In addition there were other finance company transactions included with capital movements in long-term forms, notably new issues and retirements of Canadian securities. All in all transactions related to the international borrowing of these companies in the third quarter of 1968 resulted in a net outflow of about \$50 million. International transactions in Canadian commercial paper (including bankers' acceptances) led to a net inflow of \$3 million while transactions in other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) resulted in a net outflow of \$1 million.

All other transactions led to a net capital outflow of \$401 million. Among identifiable items increases in intercompany accounts payable led to a net capital inflow. On balance the overall outflow therefore represents amounts which have yet to be identified. Large errors and omissions items have been characteristic of the recent period of wide disturbances in the international exchange markets.

Official Holdings of Monetary Gold and Foreign Exchange

A further overall increase in Canada's official net foreign exchange assets was evident in the third quarter of 1968. The remaining amount borrowed in January under the reciprocal swap facility with the United States Federal Reserve System was repaid and a small net creditor position was re-established with the International Monetary Fund while official holdings of monetary gold and United States dollars edged down. Concomitant with this improvement the Canadian dollar remained strong on the foreign exchange markets, trading throughout the quarter within the permitted one per cent range above the official par value in terms of the United States dollar.

Official holdings of monetary gold and United States dollars totalled US\$2,534 million at September 30, 1968 compared with US\$2,574 million three months earlier, a decline of US\$40 million. Canada's net position with the IMF increased to \$186 million expressed in United States funds from

\$121 million at the end of June thus establishing a net creditor position of US\$1 million. (A net creditor position arises when the IMF's holdings of a member's currency are less than 75 per cent of its quota. For Canada with a quota of \$740 million expressed in United States funds the relevant point is when the IMF holds less than US\$555 million in Canadian dollars). The liquidation of the liability to the Federal Reserve System in July involved a repayment of US\$125 million.

The quarterly change expressed in Canadian dollars showed a drop in official holdings of monetary gold and foreign exchange (including working balances of sterling) of \$43 million. The increase in the IMF balance amounted to \$69 million and the final repayment of the assistance received under the reciprocal currency facility with the Federal Reserve System resulted in a payment of \$134 million. In total these transactions reflect a \$160 million increase in Canada's official net monetary assets.

The following statement provides data on foreign exchange rates and certain reserve items:

Period	United States Dollar in Canada				Official holdings of monetary gold and United States dollars	Net balance with Inter-national Monetary Fund	Reciprocal swap facility with Federal Reserve System	
	High	Low	Close	Noon average				
Canadian cents				millions of United States dollars at end of period				
1967	I Q	108.34	107.75	108.25	108.07	2,203	468	-
	II Q	108.34	107.88	107.97	108.16	2,169	452	-
	III Q	108.00	107.34	107.41	107.63	2,221	454	-
	IV Q	108.13	107.25	108.06	107.61	2,268	433	-
1968	I Q	109.00	108.09	108.28	108.56	2,244	-	- 250
	II Q	108.25	107.50	107.59	107.83	2,574	121	- 125
	III Q	107.59	107.25	107.25	107.31	2,534	186	-
	July	107.59	107.25	107.25	107.36	2,515	121	-
	August	107.31	107.25	107.25	107.26	2,589	121	-
	September ...	107.38	107.25	107.25	107.30	2,534	186	-

Note: The total of exchange holdings does not include holdings of the Government of Canada at September 30, 1968 of \$114 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions				Total liabi- lities	
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Sales of Canadian dollars to IMF for gold		
millions of United States dollars									
1947-1965	550.0	50.0	600.0	462.5	54.3	- 331.7	61.5	246.6	353.4
1966	190.0		790.0	142.5		- 47.6		341.5	448.5
1967		- 15.0	775.0	- 15.0		15.1		341.6	433.4
1967 I Q			790.0			- 20.0		321.5	468.5
II Q		- 15.0	775.0	- 15.0		16.1		322.6	452.4
III Q			775.0			- 1.3		321.3	453.7
IV Q			775.0			20.3		341.6	433.4
1968 I Q		- 35.0	740.0	- 35.0	426.0	7.3		739.9	0.1
II Q			740.0			- 121.0		618.9	121.1
III Q			740.0		- 64.8			554.1	185.9

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow(GAB). The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

Revisions

Revisions for 1966 for the capital account items from D9 to D17 are still not complete and therefore are not included in this report. Final data for current account and all other capital account items (D1 to D8) were first included in the report for the second quarter of 1968.

Canada's International Investment Position

This report includes Tables V to X which will form part of the next annual report on Canada's balance of international payments and international investment position (under DBS Catalogue No. 67-201 Annual). These tables contain final data on all principal series for 1965 and on various components of Canada's investments abroad for 1966.

Preliminary data indicate that Canada's balance of international indebtedness* reached a book value of approximately \$24 billion by the end of 1967, a six-fold increase over the past decade. Long-term foreign investment in Canada was approaching \$34 billion and other claims of non-residents added about \$5 billion to Canada's liabilities. Canadian assets abroad had a total book value of \$15 billion including long-term investments amounting to about \$9 billion.

* The term includes equity investments as well as contractual borrowings and is used in the broad sense generally accepted in balance of payments terminology.

Canada's balance of international indebtedness rose by 9 per cent or \$1.9 billion to \$22.1 billion in 1965. This high rate of increase, which was last exceeded in 1959, reflects the continuing expansion of Canada's liabilities to non-residents as well as a slowdown in the accumulation of assets abroad.

Gross external liabilities at the end of 1965 amounted to \$35.2 billion or more than double the 1955 level of \$15.1 billion. The increase during 1965 equalled the high rate of \$2.4 billion recorded for 1964. The book value of foreign long-term investments in Canada rose sharply during 1965 to \$29,507 million, an increase of \$2,140 million or 8 per cent over the 1964 level. Three-fifths of this increase was attributable to direct investment which expanded by \$1,319 million to \$17,208 million. Approximately half of this amount was invested in manufacturing, a quarter in petroleum and natural gas and the remainder in other mining and smelting, merchandising, finance, and other enterprises (in that order).

United States residents continued to expand their relative ownership of long-term investments in Canada. At the end of 1965 this investment amounted to \$23,305 million and comprised 79 per cent of all foreign long-term investments in Canada*. (The corresponding figures for earlier years were 78 per cent for 1963 and 1964 and 77 per cent for 1962.) Direct investments owned in the United States with a book value of \$13,940 million at the end of 1965 represented 81 per cent of total direct investments in Canada; the same proportion as at the end of 1964. (The 1964 share, however, was 2 percentage points lower than the 1963 figure.) United States investments in other long-term forms were significantly higher at \$9,365 million. United Kingdom residents owned \$2,013 million of direct investments (a slightly smaller proportion of the total than in 1964). Other United Kingdom long-term investments declined by \$47 million to \$1,485 million. All forms of long-term investments owned in other foreign countries were higher at the end of 1965. Ownership of direct investments increased 20 per cent to \$1,255 million. Most of this increase was in direct investments owned in European countries other than the United Kingdom which grew from \$870 million at the end of 1963 to \$1,120 million at the end of 1965 (as shown below). Portfolio and miscellaneous investments owned in other foreign countries were also moderately higher at \$1,449 million.

Foreign Direct Investment in Canada Year Ends 1963 and 1965

Country of ownership and control	Book value of foreign direct investment in Canadian enterprises (Excludes capital supplied by residents of Canada and third countries)		Book value of total Canadian and foreign investment in Canadian enterprises controlled abroad	
	1963	1965	1963	1965
	millions of dollars			
United States	12,754	13,940	15,956	17,393
United Kingdom	1,737	2,013	2,876	3,618
Sterling area in Western Hemisphere	18	49	28	62
Other sterling area	14	35	38	60
Subtotals, sterling area	1,769	2,097	2,942	3,740
Belgium and Luxembourg	199	220	310	366
Denmark	6	13	9	13
France	146	177	297	367
Germany	109	135	138	198
Netherlands	224	335	266	417
Sweden	35	35	69	73
Switzerland	142	189	185	256
Other OECD (Europe)	9	16	11	22
Subtotals, OECD countries in Europe (other than sterling area)	870	1,120	1,285	1,712
Latin American countries(1)	14	24	16	32
Other countries	27	27	32	41
Totals	15,434	17,208	20,231	22,918

(1) Includes 20 republics and Puerto Rico.

* For "Estimated Distribution of Ownership of Net Canadian Long-term Funded Debt, End of 1954 and 1965" see p.26

The growth in non-resident investment in Canada has been accompanied by continuing expansion of Canadian assets abroad. At the end of 1965, Canada's gross external assets had a book value of \$13.1 billion or the equivalent of 37 per cent of gross external liabilities. The increase of \$0.5 billion during 1965 represented a growth rate of 4 per cent over the year or significantly less than the increases of 8 per cent and 14 per cent registered in 1963 and 1964 respectively.

The portion of Canada's assets in the form of private investments abroad is still small in relation to corresponding foreign investments in Canadian companies. However private long-term investments abroad in stocks, bonds and direct investments have more than quadrupled in the two decades since 1945. During 1965 these investments increased by almost 8 per cent to \$5,631 million. About two-thirds of Canada's private investments are located in the United States, a fifth in Commonwealth countries (including the United Kingdom) and most of the remainder in other countries of Europe and Latin America.

Canadian Direct Investment Abroad Year Ends 1964-1966

	1964	1965	1966
	millions of dollars		
United States	1,967 ^r	2,041	2,100
United Kingdom	457	508	567
Belgium and Luxembourg	13	12	16
France	31	43	48
Italy	24	24	27
Netherlands	13	8	14
West Germany	31	38	38
Subtotals, European Economic Community	112	125	143
Other Europe	79	73	80
Latin America(1)	167	193	222
Other America	255	277	326
Africa	65	72	79
Australasia	141	141	154
Asia	55	65	66
Totals	3,298 ^r	3,495	3,737

(1) Includes 20 republics and Puerto Rico.

Canadian direct investment abroad at the end of 1966 had a book value of \$3,737 million, an increase of \$242 million over the 1965 figure of \$3,495 million. More than half of this increase went to countries of the Western Hemisphere with investment in the United States rising to \$2,100 million and investment in Latin and other American countries to \$222 million and \$326 million, respectively. Direct investment in the United Kingdom, at \$567 million, was \$59 million higher than the year-end figure for 1965 while investment in other European countries was also higher at \$223 million. By the end of 1966 the book value of Canadian direct investment in developing countries had reached \$639 million. Over half of this investment was in developing countries of the Commonwealth.

Industrially, investment in manufacturing and merchandising continued to be dominant with a total book value of \$2,393 million which represented some 64 per cent of total direct investment abroad. Investments in the beverages and non-ferrous metals industries were prominent. Canadians also had significant interests in railways (\$303 million), other utility undertakings (\$271 million), mining and smelting (\$296 million), petroleum (\$198 million), financial (\$132 million), and miscellaneous investments (\$144 million).

The Government of Canada's foreign assets increased in 1965 at a more moderate rate than in 1964 when important factors were the substantial growth of Canada's official reserves and net IMF position and an exceptional increase in Government of Canada credits arising from the acquisition of United States Government securities under the Columbia River Treaty arrangements (breaking a downward trend which began in 1950). During 1965 credits to foreign governments resumed their downward pattern while the increase in official reserves was less than half the 1964 figure. At the end of 1967 official holdings of gold and foreign exchange together with Canada's net IMF position amounted to \$2,926 million expressed in Canadian funds.

Non-residents have a substantial equity in Canadian assets abroad through their ownership of Canadian parent companies. At the end of 1965 about \$1.6 billion of the Canadian assets abroad were beneficially owned by non-residents. (This item is included as a liability in the statement of Canada's balance of international indebtedness).

Canadian portfolio investments abroad climbed by \$204 million to \$2,136 million during 1965 as a result of increased net purchases of foreign securities and the growth of retained earnings accruing to Canadian shareholders. Most of this increase occurred in foreign equities which totalled \$1,836 million at the end of 1965 and included \$1,515 million of United States stocks.

It should be noted that the statistics given above are expressed in book value terms. Market values would be substantially different.

TABLE V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-65¹

Item	1926	1930	1939	1945	1949	1957	1958	1959	1960	1961	1962	1963	1964	1965
	billions of dollars													
Canadian liabilities:														
Direct investment VIII, X	1.8	2.4	2.3	2.7	3.6	10.1	10.9	11.9	12.9	13.7	14.7	15.4	15.9*	17.2
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.8	2.3	2.6	3.1	3.3	3.4	3.7	4.2	4.7	5.0
Other portfolio investment VIII	2.5	3.2	2.6	2.4	2.3	4.1	4.4	4.6	4.6	4.7	4.7	4.7	4.7	5.2
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.9	1.1	1.3	1.4	1.7	1.8	1.8	2.0	2.2
Foreign long-term investments in Canada VIII, IX	6.0	7.6	6.9	7.1	8.0	17.5	19.0	20.9	22.2	23.6	24.9	26.1	27.4	29.5
Equity of non-residents in Canadian assets abroad	..	..	0.2	0.2	0.3	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.6	1.6
Canadian dollar holdings of non-residents	..	..	0.3	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Gross liabilities²	6.4	8.0	7.4	7.6	8.7	18.7	20.4	22.4	24.0	25.4	26.8	28.1	29.5	31.8
United States ²	3.5	4.9	4.5	5.4	6.4	14.1	15.5	17.0	18.0	19.3	20.6	22.0	23.1*	25.0
United Kingdom ²	2.7	2.9	2.6	1.8	1.8	3.1	3.2	3.4	3.5	3.5	3.6	3.5	3.6	3.7
Other countries ^{2,3}	0.2	0.2	0.3	0.4	0.5	1.5	1.7	2.1	2.4	2.5	2.6	2.6	2.8	3.1
Short-term payables n.i.e. ⁴	..	..	..	0.6	0.6	1.0	1.1	1.4	1.6	1.9	2.0	2.3	3.2 ⁵	3.4 ⁵
Gross liabilities	6.4²	8.0²	7.4²	8.2	9.3	19.6	21.5	23.8	25.6	27.3	28.8	30.4	32.8	35.2
Canadian assets:														
Direct investment VII	0.4	0.4	0.7	0.7	0.9	2.1	2.1	2.3	2.5	2.6	2.8	3.1	3.3	3.5
Portfolio investments VII	0.5	0.8	0.7	0.6	0.6	1.1	1.1	1.2	1.3	1.5	1.7	1.8	1.9	2.1
Government of Canada credits VII	—	—	—	0.7	2.0	1.6	1.5	1.5	1.5	1.4	1.3	1.3	1.5 ⁶	1.5
Government of Canada subscriptions to international investment agencies	—	—	—	—	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Miscellaneous investment ⁷	—	—	—	—	—	-0.1	-0.1	—	—	0.1	0.2	0.3	0.4	0.6
Canadian long-term investments abroad	0.9	1.3	1.4	2.0	3.6	4.7	4.8	5.0	5.3	5.7	6.1	6.6	7.3	7.8
Government of Canada holdings of gold and foreign exchange VI	—	—	0.5	1.7	1.2	1.8	1.9	1.8	1.8	2.2	2.7	2.8	2.9	2.9
Net IMF position	—	—	—	—	0.1	0.1	0.1	0.1	0.2	0.2	-0.1	-0.1	0.2	0.4
Other Canadian short-term holdings of exchange	8	8	—	0.1	0.1	0.9	1.0	1.0	1.2	1.1	1.0	1.3	1.8	1.7
Gross assets²	1.3	1.5	1.9	3.9	5.1	7.5	7.7	8.0	8.5	9.1	9.7	10.6	12.2	12.8
Government of Canada holdings of gold, foreign exchange and net IMF position	—	—	0.5	1.7	1.3	1.9	2.0	1.9	2.0	2.4	2.6	2.7	3.1	3.3
United States ^{2,9}	0.7	0.9	0.9	1.0	1.3	3.0	3.1	3.3	3.7	3.9	4.1	4.7*	4.9	5.9
United Kingdom ^{2,9}	0.1	0.1	0.1	0.7	1.6	1.4	1.4	1.4	1.5	1.5	1.6	1.9*	2.6	2.2
Other countries ^{2,3}	0.5	0.5	0.4	0.5	0.9	1.2	1.3	1.3	1.3	1.4	1.5	1.3*	1.6	1.5
Short-term receivables n.i.e. ⁴	..	..	..	0.1	0.2	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.3
Gross assets	1.3²	1.5²	1.9²	4.0	5.3	7.9	8.2	8.5	8.9	9.7	10.2	11.0	12.6	13.1
Canadian net international indebtedness:														
Net liabilities	5.1²	6.5²	5.5²	4.2	4.0	11.8	13.3	15.3	16.6	17.7	18.6	19.4	20.2	22.1
Government of Canada holdings of gold, foreign exchange and net IMF position	—	—	-0.5	-1.7	-1.3	-1.9	-2.0	-1.9	-2.0	-2.4	-2.6	-2.7	-3.1	-3.3
United States ^{2,9}	2.8	4.0	3.6	4.4	5.1	11.1	12.4	13.6	14.3	15.4	16.5	17.3*	18.2*	19.1
United Kingdom ^{2,9}	2.6	2.8	2.5	1.1	0.2	1.6	1.8	1.9	2.0	2.0	2.0*	1.6*	1.0	1.5
Other countries ^{2,3}	-0.3	-0.3	-0.1	-0.1	-0.4	0.3	0.4	0.8	1.1	1.1	1.1	1.4*	1.2	1.6
Short-term n.i.e. ⁴	..	..	..	0.4	0.4	0.6	0.6	1.0	1.1	1.4	1.6	1.8	2.8*	3.0

¹ For missing years see Table 12 in "The Canadian Balance of International Payments—A Compendium of Statistics from 1946 to 1965" (DBS Catalogue, No. 67-505).

² Excludes short-term receivables and payables.

³ Includes international investment agencies.

⁴ Country distribution not available.

⁵ Includes \$0.9 billion finance company obligations.

⁶ Includes \$0.2 billion medium-term non-marketable United States Government securities acquired under the Columbia River Treaty arrangements.

⁷ Includes export credits by Government and private sectors less reserve against Government inactive assets.

⁸ Net external assets of the chartered banks of Canada amounted to \$370 million in 1926 and \$180 million in 1930.

⁹ Excludes Government of Canada holdings of gold and foreign exchange.

* New series not strictly comparable with earlier years.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals refer to tables with further detail.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of other countries.

For more detailed explanations see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars,¹ 1953-66

At end of	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
	millions of U.S. dollars													
March	1,845.3	1,827.2	1,871.5	1,871.4	1,923.6	1,867.7	1,888.3	1,856.1	1,934.9	1,709.4	2,600.1	2,465.5	2,554.1	2,509.
June	1,750.1	1,863.3	1,930.4	1,899.5	1,941.8	1,921.4	1,934.2	1,773.9	1,985.2	1,808.7 ²	2,691.6	2,533.9	2,480.1	2,341.
September	1,787.3	1,898.6	1,936.7	1,903.5	1,889.9	1,888.2	1,938.3	1,813.0	1,924.3	2,444.6 ²	2,568.3	2,624.5	2,614.1	2,244.
December	1,818.5	1,942.6	1,900.8	1,936.2	1,828.3	1,939.1	1,869.2	1,829.2	2,055.8	2,539.4 ²	2,595.0	2,674.3	2,664.5	2,235.

¹ Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other Government accounts and net holdings of the Bank of Canada.

² Includes some funds representing special international financial assistance in the form of central bank swaps and/or net IMF drawings.

TABLE VII. Canadian Long-term Investments Abroad,¹ Selected Year Ends, 1926-66²

Location and year	Direct investment in branches, subsidiaries and controlled companies					Portfolio investment in foreign securities			Total private long-term investments abroad	Government of Canada credits	Total
	Railways and utilities	Industrial and commercial	Mining and petroleum	Other concerns	Total direct investment	Stocks	Bonds	Total portfolio investment			
millions of dollars											
In all countries:											
1926	..	..	..	..	397	..	..	493	890	36	926
1930	..	..	..	..	443	..	..	789	1,232	31	1,263
1939	249	289	123	10	671*	511	208	719*	1,390	31	1,421
1945	239	337	138	6	720	454	167	621	1,341	707	2,048
1947	246	414	155	7	822	426	153	579	1,401	1,816	3,217
1949	276	553	91	6	926	477	161	638	1,564	2,000	3,564
1958	429	1,250	427	43	2,149	868	250	1,118	3,267	1,528	4,795
1959	457	1,343	408	78	2,286	934	249	1,183	3,469	1,495	4,964
1960	456	1,482	445	84	2,467	1,050	265	1,315	3,782	1,462	5,244
1961	504	1,566	414	112	2,596	1,195	276	1,471	4,067	1,424	5,491
1962	475*	1,769	426	114	2,784	1,445	278	1,723	4,507	1,301	5,808
1963	499	1,892	510	181	3,082	1,531	275	1,806	4,888	1,285	6,173
1964	489	2,087	504	218	3,298	1,652	290	1,942	5,240	1,517	6,757
1965	538	2,196	494	267	3,495	1,836	300	2,136	5,631	1,495	7,127
1966	574	2,393	494	276	3,737					1,451	
In the United States:											
1939	211	176	21	4	412	380	121	501	913	—	913
1945	212	214	25	4	455	317	92	409	864	—	864
1947	217	272	37	5	531	283	83	366	897	—	897
1949	247	413	58	3	721	345	98	443	1,164	—	1,164
1958	379	833	197	31	1,440	659	111	770	2,210	—	2,210
1959	382	862	182	63	1,489	734	111	845	2,334	—	2,334
1960	374	971	209	64	1,618	827	120	947	2,565	—	2,565
1961	420	1,018	208	78	1,724	938	119	1,057	2,781	—	2,781
1962	431	1,092	188	75	1,786	1,124	116	1,240	3,026	—	3,026
1963	439	1,108	262	113	1,922	1,207	110	1,317	3,239	—	3,239
1964	424	1,158	239	146	1,967	1,337	118	1,455	3,422	219 ³	3,641
1965	450	1,192	250	149	2,041	1,515	119	1,634	3,675	187 ³	3,862
1966	474	1,283	206	137	2,100					156 ³	
In the United Kingdom:											
1939	—	53	—	6	59	22	21	43	102	—	102
1945	—	53	—	1	54	26	27	53	107	561	668
1947	—	64	—	—	64	26	26	52	116	1,331	1,447
1949	—	58	—	1	59	21	19	40	99	1,434	1,533
1958	3	196	—	1	200	27	14	41	241	1,125 ⁴	1,366
1959	10	224	—	1	235	25	12	37	272	1,108 ⁴	1,380
1960	14	240	—	3	257	26	16	42	299	1,092 ⁴	1,391
1961	12	271	—	5	288	45	16	61	349	1,074 ⁴	1,423
1962	9*	327	—	8	344	51	16	67	411	1,057 ⁴	1,468
1963	9	367*	—	16	392	53	16	69	461	1,039 ⁴	1,500
1964	8	432	1	16	457	55	15	70	527	1,059 ⁴	1,586
1965	10	480	3	15	508	60	14	74	582	1,078 ⁴	1,660
1966	9	534	7	17	567					1,059 ⁴	
In other Commonwealth countries: ⁵											
1939	7	30	17	—	54	7	15	22	76	—	76
1945	7	34	28	—	69	7	12	19	88	—	88
1947	8	47	30	—	85	7	11	18	103	—	103
1949	6	51	19	—	76	6	8	14	90	—	90
1958	7	102	150	7	266	8	21	29	295	34	329
1959	8	120	153	10	291	8	19	27	318	35	353
1960	10	121	156	12	299	10	18	28	327	35	362
1961	15	95	145	24	279	11	30	41	320	30	350
1962	16	132	162	26	336	12	31	43	379	25	404
1963	17	149	163	48	377	13	29	42	419	29	448
1964	21	186	169	50	426	14	32	46	472	25	497
1965	28	193	148	84	453	15	31	46	499	19	518
1966	38	206	169	92	505					27	
In other foreign countries:											
1939	31	30	85	—	146	102	51	153	299	31	330
1945	20	36	85	1	142	104	36	140	282	146	428
1947	21	31	88	2	142	110	33	143	285	485	770
1949	23	31	14	2	70	105	36	141	211	566	777
1958	40	119	80	4	243	174	104	278	521	369	890
1959	57	137	73	4	271	167	107	274	545	352	897
1960	58	150	80	5	293	187	111	298	591	335	926
1961	57	182	61	5	305	201	111	312	617	320	937
1962	19*	218	76	5	318	258	115	373	691	219 ⁶	910
1963	34	268	85	4	391	258	120	378	769	217 ⁶	986
1964	36	311	95	6	448	246	125	371	819	214 ⁶	1,033
1965	50	331	93	19	493	246	136	382	875	211 ⁶	1,086
1966	53	370	112	30	565					209 ⁶	

¹ Figures exclude investments of insurance companies and banks (held mainly against liabilities to non-residents), subscriptions to international investment agencies (Table V), and miscellaneous investments (Table V). Figures include the equity of non-residents in assets abroad of Canadian companies (Table V).

² For years 1951-58 see Table VII, "The Canadian Balance of International Payments, 1961 and 1962, and International Investment Position".

³ Medium-term non-marketable United States Government securities acquired under the Columbia River Treaty arrangements.

⁴ Includes deferred interest amounting to \$22 million in 1956, to \$44 million in 1957 through 1963, to \$64 million in 1964, to \$83 million in 1965 and 1966.

⁵ Includes investments in Newfoundland prior to 1949.

⁶ Includes \$7 million United Nations in 1962 and 1963, and \$6 million in 1964, 1965 and 1966.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1945-65
Classification by type of assets and nature of national ownership

Long-term investments in Canada	A. Owned by all non-residents								B. Owned in United States							
	1945	1959	1960	1961	1962	1963	1964	1965	1945	1959	1960	1961	1962	1963	1964	1965
	millions of dollars															
By type of assets																
Bonds and debentures:																
Government and municipal ¹	1,662	3,112	3,269	3,438	3,737	4,207	4,682	4,965	1,450	2,764	2,903	3,049	3,387	3,869	4,336	4,618
Railways	843	492	499	512	475	483	509	520	495	159	152	174	143	151	158	155
Other corporations	561	2,241	2,309	2,400	2,672	2,860	3,056	3,614	414	1,924	1,980	2,124	2,402	2,585	2,786	3,360
Sub-totals	3,066	5,845	6,077	6,350	6,884	7,550	8,247	9,099	2,359	4,847	5,035	5,347	5,932	6,605	7,280	8,133
Capital stock of Canadian companies	3,194	9,916	10,480	10,865	11,631	12,009	12,668	13,541	2,088	7,117	7,472	7,894	8,460	8,907	9,446	10,090
Other corporation assets ²	548	3,490	3,965	4,429	4,457	4,681	4,373	4,696	413	2,954	3,294	3,654	3,727	3,940	3,469	3,758
Income accumulating investment funds	—	321	264	266	164	123	42	—	—	321	264	266	164	123	42	—
Miscellaneous investments	284	1,285	1,428	1,696	1,753	1,771	2,037	2,171	130	587	653	840	872	904	1,206	1,324
Total investments	7,092	20,857	22,214	23,606	24,889	26,134	27,367	29,507	4,990	15,826	16,718	18,001	19,155	20,479	21,443	23,305
By nature of national ownership																
I. Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways	46	28	14	13	4	4	3	3	38	24	10	10	1	1	1	1
Other corporations	281	1,182	1,211	1,346	1,565	1,608	1,567	1,673	254	1,106	1,116	1,255	1,486	1,523	1,470	1,584
Sub-totals	327	1,210	1,225	1,359	1,569	1,612	1,570	1,676	292	1,130	1,126	1,265	1,487	1,524	1,471	1,585
Capital stock of Canadian companies	1,860	7,324	7,839	8,190	8,983	9,529	10,232	11,111	1,613	5,922	6,263*	6,579	7,093	7,612	8,177	8,810
Other corporation assets ²	526	3,372	3,808	4,188	4,108	4,293	4,087*	4,421	399	2,860	3,160*	3,440	3,426	3,618	3,253*	3,545
Total direct investments	2,713	11,906	12,872	13,737	14,660	15,434	15,889*	17,208	2,304	9,912	10,549	11,284	12,006	12,754	12,961*	13,940
II. Government and municipal bonds ¹	1,662	3,112	3,269	3,438	3,737	4,207	4,682	4,965	1,450	2,764	2,903	3,049	3,387	3,869	4,336	4,618
III. Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada	795	462	483	497	470	478	505	516	457	134	141	163	141	149	156	153
Controlled in other countries	2	2	2	2	1	1	1	1	—	1	1	1	1	1	1	1
Other corporations:																
Controlled in Canada	220	773	809	791	836	979	1,141	1,563	158	696	749	771	815	954	1,117	1,527
Controlled in other countries	60	286	289	263	271	273	348	378	2	122	115	98	101	108	199	245
Sub-totals	1,077	1,523	1,583	1,553	1,578	1,731	1,995	2,458	617	953	1,006	1,033	1,058	1,212	1,473	1,930
Capital stock of Canadian companies:																
Companies controlled in Canada	1,249	2,322	2,340	2,395	2,351	2,189	2,131	2,122	462	1,100	1,104	1,215	1,259	1,198	1,165	1,160
Companies controlled in other countries	85	270	301	280	297	291	305	308	13	95	105	100	108	97	104	111
Other corporation assets: ²																
Companies controlled in Canada	16	93	129	197	297	327	195	169	13	79	117	187	263	284	135	111
Companies controlled in other countries	6	25	28	44	52	61	91	106	1	15	17	27	38	38	81	91
Income accumulating investment funds	—	321	264	266	164	123	42	—	—	321	264	266	164	123	42	—
Total other portfolio investments	2,433	4,554	4,645	4,735	4,739	4,722	4,759	5,163	1,106	2,563	2,613	2,828	2,890	2,952	3,000	3,42
IV. Miscellaneous investments:																
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	284	1,285	1,428	1,696	1,753	1,771	2,037	2,171	130	587	653	840	872	904	1,206	1,32
SUMMARY																
I. Direct investments	2,713	11,906	12,872	13,737	14,660	15,434	15,889*	17,208	2,304	9,912	10,549	11,284	12,006	12,754	12,961*	13,940
II. Government and municipal bonds	1,662	3,112	3,269	3,438	3,737	4,207	4,682	4,965	1,450	2,764	2,903	3,049	3,387	3,869	4,336	4,618
III. Other portfolio investments	2,433	4,554	4,645	4,735	4,739	4,722	4,759	5,163	1,106	2,563	2,613	2,828	2,890	2,952	3,000	3,42
IV. Miscellaneous investments	284	1,285	1,428	1,696	1,753	1,771	2,037	2,171	130	587	653	840	872	904	1,206	1,32
Total investments	7,092	20,857	22,214	23,606	24,889	26,134	27,367	29,507	4,990	15,826	16,718	18,001	19,155	20,479	21,443	23,305

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1945-65 — Concluded
Classification by type of assets and nature of national ownership

Long-term investments in Canada	C. Owned in United Kingdom								D. Owned in all other countries							
	1945	1959	1960	1961	1962	1963	1964	1965	1945	1959	1960	1961	1962	1963	1964	1965
	millions of dollars															
By type of assets																
Bonds and debentures:																
Government and municipal ¹	157	141	127	147	137	121	111	100	55	207	239	242	213	217	235	247
Railways	316	291	290	288	264	259	259	262	32	42	57	50	68	73	92	103
Other corporations	116	206	214	185	178	178	172	160	31	111	115	91	92	97	98	94
Sub-totals	589	638	631	620	579	558	542	522	118	360	411	383	373	387	425	444
Capital stock of Canadian companies	973	1,983	2,078	2,023	2,083	2,040	2,098	2,150	133	816	930	948	1,088	1,062	1,124	1,301
Other corporation assets ²	103	378	439	515	509	512	627	624	32	158	232	260	221	229	277	314
Miscellaneous investments	85	200	211	223	228	221	209	202	69	498	564	633	653	646	622	645
Total investments	1,750	3,199	3,359	3,381	3,399	3,331	3,476	3,498	352	1,832	2,137	2,224	2,335	2,324	2,448	2,704
By nature of national ownership																
I. Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways	8	4	4	3	3	3	2	2	—	—	—	—	—	—	—	—
Other corporations	13	39	46	38	24	25	35	31	14	37	49	53	55	60	62	58
Sub-totals	21	43	50	41	27	28	37	33	14	37	49	53	55	60	62	58
Capital stock of Canadian companies	226	972	1,057*	1,072	1,209	1,244	1,331	1,397	21	430	519*	539	681	673	724	904
Other corporation assets ²	101	369	428*	500	470	465	576	583	26	143	220*	248	212	210	258	293
Total direct investments	348	1,384	1,535	1,613	1,706	1,737	1,944	2,013	61	610	788	840	948	943	1,044	1,255
II. Government and municipal bonds ¹	157	141	127	147	137	121	111	100	55	207	239	242	213	217	235	247
III. Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada	306	286	285	284	261	256	257	260	32	42	57	50	68	73	92	103
Controlled in other countries	2	1	1	1	—	—	—	—	—	—	—	—	—	—	—	—
Other corporations:																
Controlled in Canada	46	28	19	3	4	5	5	6	16	49	41	17	17	20	19	30
Controlled in other countries	57	139	149	144	150	148	132	123	1	25	25	21	20	17	17	6
Sub-totals	411	454	454	432	415	409	394	389	49	116	123	88	105	110	128	139
Capital stock of Canadian companies:																
Companies controlled in Canada	691	935	924	860	787	708	674	660	96	287	312	320	305	283	292	296
Companies controlled in other countries	56	76	97	91	87	88	93	93	16	99	99	89	102	106	108	101
Other corporation assets: ²																
Companies controlled in Canada	2	4	5	6	30	36	48	38	1	10	7	4	4	7	12	12
Companies controlled in other countries	—	5	6	9	9	11	3	3	5	5	5	8	5	12	7	9
Total other portfolio investments	1,160	1,474	1,486	1,398	1,328	1,252	1,212	1,183	167	517	546	509	521	518	547	557
IV. Miscellaneous investments:																
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	85	200	211	223	228	221	209	202	69	498	564	633	653	646	622	645
SUMMARY																
I. Direct investments	348	1,384	1,535	1,613	1,706	1,737	1,944	2,013	61	610	788	840	948	943	1,044	1,255
II. Government and municipal bonds	157	141	127	147	137	121	111	100	55	207	239	242	213	217	235	247
III. Other portfolio investments	1,160	1,474	1,486	1,398	1,328	1,252	1,212	1,183	167	517	546	509	521	518	547	557
IV. Miscellaneous investments	85	200	211	223	228	221	209	202	69	498	564	633	653	646	622	645
Total investments	1,750	3,199	3,359	3,381	3,399	3,331	3,476	3,498	352	1,832	2,137	2,224	2,335	2,324	2,448	2,704

¹ For division into Government of Canada, provincial and municipal see Table IX.

² Includes net assets of unincorporated branches and other long-term investments.

TABLE IX. Foreign Capital Invested in Canada, Selected Year Ends, 1945 - 65

Classification by type of investment

Long-term investments in Canada by type of investment	A. Owned by all non-residents								B. Owned in United States							
	1945	1959	1960	1961	1962	1963	1964	1965	1945	1959	1960	1961	1962	1963	1964	1965
millions of dollars																
Government securities:																
Dominion	726	612	611	657	788	899	897	880	682	383	382	416	576	695	690	675
Provincial	624	1,585	1,632	1,743	1,862	2,217	2,564	2,828	574	1,509	1,544	1,641	1,768	2,127	2,469	2,729
Municipal	312	915	1,026	1,038	1,087	1,091	1,221	1,257	194	872	977	992	1,043	1,047	1,177	1,214
Sub-totals	1,662	3,112	3,269	3,438	3,737	4,207	4,682	4,965	1,450	2,764	2,903	3,049	3,387	3,869	4,336	4,618
Manufacturing:																
Vegetable products	268	664	720	749	787	824	828	891	199	509	551	586	620	654	653	713
Animal products	61	128	132	145	149	162	169	194	47	115	118	132	135	147	153	176
Textiles	83	140	141	148	142	145	148	166	41	79	84	93	92	97	99	118
Wood and paper products	455	1,211	1,315	1,410	1,464	1,545	1,703	1,897	383	1,026	1,116	1,207	1,242	1,323	1,422	1,623
Iron and products	319	1,451	1,580	1,647	1,742	1,895	1,952	2,231	297	1,172	1,286	1,339	1,425	1,577	1,643	1,913
Non-ferrous metals	274	1,153	1,155	1,185	1,211	1,212	1,191	1,295	209	928	928	973	992	996	969	1,069
Non-metallic minerals	57	227	276	286	310	321	314	313	48	142	151	158	162	171	179	185
Chemicals and allied products	169	660	698	768	810	848	1,094	1,229	124	473	492	553	584	623	851	994
Miscellaneous manufactures	37	92	98	108	116	122	133	150	34	86	92	101	109	115	127	143
Sub-totals (excluding petroleum refining)	1,723	5,726	6,115	6,446	6,731	7,074	7,532	8,366	1,382	4,530	4,818	5,142	5,361	5,703	6,096	6,934
Petroleum and natural gas	160	3,455	3,727	4,029	4,384	4,703	4,799	5,192	152	3,108	3,184*	3,444	3,662	3,945	3,964	4,170
Other mining and smelting	356	1,783	1,977	2,094	2,297	2,347	2,473	2,555	277	1,513	1,701	1,821	1,998	2,054	2,115	2,199
Public utilities:																
Railways	1,599	1,405	1,406	1,366	1,270	1,231	1,236	1,038	720	472	479	506	472	476	491	401
Other (excluding pipelines and public enterprises)	493	739	743	656	691	590	605	666	374	544	551	513	557	505	553	619
Sub-totals	2,092	2,144	2,149	2,022	1,961	1,821	1,841	1,704	1,094	1,016	1,030	1,019	1,029	981	1,044	1,020
Merchandising	220	878	872	917	972	1,003	1,092	1,196	158	612	608	629	674	698	739	822
Financial	525	2,190	2,380	2,616	2,688	2,847	2,503*	2,875	285	1,471	1,587	1,775	1,872	2,033	1,617*	1,823
Other enterprises	70	284	297	348	366	361	408	483	62	225	234	282	300	292	326	395
Miscellaneous investments	284	1,285	1,428	1,696	1,753	1,771	2,037	2,171	130	587	653	840	872	904	1,206	1,324
Total investments	7,092	20,857	22,214	23,606	24,889	26,134	27,367	29,507	4,990	15,826	16,718	18,001	19,155	20,479	21,443*	23,305
C. Owned in United Kingdom																
D. Owned in all other countries																
millions of dollars																
Government securities:																
Dominion	—	60	48	50	48	34	21	10	44	169	181	191	164	170	186	195
Provincial	45	48	47	67	60	58	61	62	5	28	41	35	34	32	34	37
Municipal	112	38	32	30	29	29	29	28	6	10	17	16	15	15	15	15
Sub-totals	157	141	127	147	137	121	111	100	55	207	239	242	213	217	235	247
Manufacturing:																
Vegetable products	66	131	137	136	136	153	158	152	3	24	32	27	31	17	17	26
Animal products	6	7	8	7	7	8	6	8	8	6	6	6	7	7	10	10
Textiles	38	59	55	53	48	46	47	44	4	2	2	2	2	2	2	4
Wood and paper products	64	159	167	174	188	182	244	233	8	26	32	29	34	40	37	41
Iron and products	12	194	201	209	209	206	203	204	10	85	93	99	108	112	106	114
Non-ferrous metals	64	192	188	177	183	184	182	182	1	33	39	35	36	32	40	44
Non-metallic minerals	8	45	55	54	66	67	49	50	1	40	70	74	82	83	86	78
Chemicals and allied products	36	153	169	176	183	180	183	187	9	34	37	39	43	45	60	48
Miscellaneous manufactures	2	5	5	6	6	6	5	6	1	1	1	1	1	1	1	1
Sub-totals (excluding petroleum refining)	296	945	985	992	1,026	1,032	1,077	1,066	45	251	312	312	344	339	359	366
Petroleum and natural gas	7	162	270*	296	355	380	449	524	1	185	273*	289	367	378	386	498
Other mining and smelting	60	160	152	148	184	161	211	199	19	110	124	125	115	132	147	157
Public utilities:																
Railways	806	783	755	699	618	584	560	473	73	150	172	161	180	171	185	164
Other (excluding pipelines and public enterprises)	90	125	125	76	78	53	25	24	29	70	67	67	56	32	27	23
Sub-totals	896	908	880	775	696	637	585	497	102	220	239	228	236	203	212	187
Merchandising	57	225	214	238	241	250	273	283	5	41	50	50	57	55	80	91
Financial	186	413	469	512	487	481	501	566	54	306	324	329	329	333	385	486
Other enterprises	6	45	51	50	45	48	60	61	2	14	12	16	21	21	22	27
Miscellaneous investments	85	200	211	223	228	221	209	202	69	498	564	633	653	646	622	645
Total investments	1,750	3,199	3,359	3,381	3,399	3,331	3,476	3,498	352	1,832	2,137	2,224	2,335	2,324	2,448	2,704

TABLE X. Foreign Direct Investment¹ in Canada, Selected Year Ends, 1945-64

Classification by type of business

Direct investment in Canada by type of business	A. Owned by all non-residents								B. Owned in United States							
	1945	1959	1960	1961	1962	1963	1964	1965	1945	1959	1960	1961	1962	1963	1964	1965
	millions of dollars															
Manufacturing:																
Vegetable products	200	578	637	648	691	738	738	794	140	442	488	504	539	583	576	627
Animal products	47	119	122	135	140	153	160	185	44	108	111	125	129	141	148	171
Textiles	56	117	118	122	124	127	129	141	28	68	72	78	82	87	89	97
Wood and paper products	348	951	1,033	1,064	1,098	1,184	1,289	1,359	316	822	886	939	950	1,029	1,078	1,164
Iron and products	277	1,345	1,441	1,504	1,584	1,730	1,776	2,013	272	1,095	1,198	1,248	1,326	1,479	1,538	1,769
Non-ferrous metals	211	977	983	1,020	1,022	1,034	1,013	1,112	203	892	890	931	939	949	923	1,021
Non-metallic minerals	43	198	240	249	265	274	267	262	39	127	134	140	136	145	152	160
Chemicals and allied products	144	637	671	741	780	822	1,043	1,171	118	460	478	538	565	605	810	947
Miscellaneous manufactures	33	89	97	106	115	120	130	148	31	83	91	100	109	114	125	142
Sub-totals (excluding petroleum refining)	1,359	5,011	5,342	5,589	5,819	6,182	6,545	7,185	1,191	4,097	4,348	4,603	4,775	5,132	5,439	6,098
Petroleum and natural gas	141	3,082	3,313	3,534	3,901	4,119	4,201	4,530	141	2,836	2,885*	3,060	3,277	3,464	3,472	3,600
Other mining and smelting	237	1,223	1,439	1,549	1,686	1,758	1,915	2,018	215	1,146	1,348	1,451	1,595	1,666	1,774	1,875
Utilities (excluding pipelines)	375	282	285	289	294	299	301	306	358	217	224	228	238	250	276	286
Wholesaling	202	761	757	804	859	883	967	1,057	147	505	501	520	565	586	622	695
Financial	339	1,289	1,464	1,660	1,769	1,867	1,596*	1,685	198	904	1,028	1,171	1,287	1,394	1,031*	1,041
Other enterprises	60	258	272	312	332	326	364	427	54	207	215	251	269	262	287	345
Totals	2,713	11,906	12,872	13,737	14,660	15,434	15,889*	17,208	2,304	9,912	10,549	11,284	12,006	12,754	12,901*	13,940
	C. Owned in United Kingdom								D. Owned in all other countries							
	1945	1959	1960	1961	1962	1963	1964	1965	1945	1959	1960	1961	1962	1963	1964	1965
	millions of dollars															
Manufacturing:																
Vegetable products	60	117	124	123	129	146	152	147	—	19	25	21	23	9	10	20
Animal products	3	6	6	6	6	7	6	8	—	5	5	4	5	5	6	6
Textiles	26	49	45	43	41	39	39	42	2	—	1	1	1	1	1	2
Wood and paper products	30	127	138	115	133	133	192	184	2	2	9	10	15	22	19	11
Iron and products	4	180	185	191	190	190	185	185	1	70	58	65	68	61	53	59
Non-ferrous metals	8	64	65	65	60	62	59	58	—	21	28	24	23	23	31	33
Non-metallic minerals	4	34	38	37	49	49	31	25	—	37	68	72	80	80	84	77
Chemicals and allied products	19	150	162	170	177	176	177	182	7	27	31	33	38	41	56	42
Miscellaneous manufactures	2	5	5	5	5	5	4	5	—	1	1	1	1	1	1	1
Sub-totals (excluding petroleum refining)	156	732	768	755	790	807	845	836	12	182	226	231	254	243	261	251
Petroleum and natural gas	—	116	208*	234	298	323	390	470	—	130	220*	240	326	332	339	460
Other mining and smelting	22	68	66	62	67	63	104	100	—	9	25*	36	24	29	37	43
Utilities (excluding pipelines)	16	40	40	38	38	33	14	13	1	25	21	23	18	16	11	7
Wholesaling	51	219	208	231	236	244	268	275	4	37	48	53	58	53	77	87
Financial	98	168	198	246	234	222	265	261	43	217	238	243	248	251	300	383
Other enterprises	5	41	47	47	43	45	58	58	1	10	10	14	20	19	19	24
Totals	348	1,384	1,535	1,613	1,706	1,737	1,944	2,013	61	610	788	840	948	943	1,044	1,255

¹ Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VIII and IX.

**Estimated Distribution of Ownership of Net Canadian Long-term Funded Debt,
End of 1954 and 1965**

Classification by currency of payment

Debtor and currency	Amounts outstanding		Distribution of ownership							
			Canada		United States		United Kingdom		Other countries	
	1954	1965	1954	1965	1954	1965	1954	1965	1954	1965
millions of dollars										
Government of Canada, direct and guaranteed excluding railways:										
Payable in Canadian dollars only ¹	12,640	16,793	12,284	16,248	265	340	22	10	69	195
Payable in foreign currencies only	392	343	97	8	242	335	49	—	4	—
Payable optionally in Canadian or foreign currencies	9	—	1	—	8	—	—	—	—	—
Sub-totals	13,041	17,136	12,382	16,256	515	675	71	10	73	195
Provincial, direct and guaranteed excluding railways:										
Payable in Canadian dollars only	2,543	8,169	2,456	7,810	45	270	30	61	12	28
Payable in foreign currencies only	512	2,408	1	1	510	2,398	1	—	—	9
Payable optionally in Canadian or foreign currencies	388	79	22	17	359	61	7	1	—	—
Sub-totals	3,443	10,656	2,479	7,828	914	2,729	38	62	12	37
Municipal:										
Payable in Canadian dollars only	1,491	4,117	1,389	3,862	72	221	26	24	4	10
Payable in foreign currencies only	285	981	14	3	267	970	3	3	1	5
Payable optionally in Canadian or foreign currencies	87	39	27	15	54	23	6	1	—	—
Sub-totals	1,863	5,137	1,430	3,880	393	1,214	35	28	5	15
Railways:										
Payable in Canadian dollars only	895	1,596	850	1,446	30	52	7	15	8	83
Payable in foreign currencies only	422	392	—	23	133	102	287	247	2	20
Payable optionally in Canadian or foreign currencies	253	1	116	—	111	1	4	—	22	—
Sub-totals	1,570	1,989	966	1,469	274	155	298	262	32	103
Other corporations:										
Payable in Canadian dollars only	3,193	9,516	2,779	8,308	249	987	142	151	23	70
Payable in foreign currencies only	689	2,448	9	85	664	2,331	11	9	5	23
Payable optionally in Canadian or foreign currencies	86	61	18	18	68	42	—	—	—	1
Sub-totals	3,968	12,025	2,806	8,411	981²	3,360	153	160	28	94
Total bonds and debentures:										
Payable in Canadian dollars only	20,762	40,191	19,758	37,674	661	1,870	227	261	116	386
Payable in foreign currencies only	2,300	6,572	121	120	1,816	6,136	351	259	12	57
Payable optionally in Canadian or foreign currencies	823	180	184	50	600	127	17	2	22	1
Totals	23,885	46,943	20,063	37,844	3,077	8,133	595	522	150	444

	1954	1965
¹ Excludes treasury bills and notes	1,530	2,150
² Includes corporate bonds held by United States parent companies and affiliates:		
Payable in Canadian dollars only	7	4
Payable in foreign currencies only	142	115
Payable optionally in Canadian or foreign currencies	39	—
Totals	188	119

QUARTERLY STATISTICS OF THE CANADIAN
BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER 1966 - THIRD QUARTER 1968

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 are preliminary and data for 1967 are subject to revision

No.		1966		1967		
		III	IV	I	II	III
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,695	2,806	2,609	3,018	2,703
3	Gold production available for export	32	32	32	28	26
4	Travel expenditures	455	128	82	346	708
5	Interest and dividends	55	114	70	53	61
6	Freight and shipping	210	207	181	216	222
7	Inheritances and immigrants' funds	86	67	60	96	106
11	All other current receipts	195	192	214	193	202
12	Total current receipts	3,728	3,546	3,248	3,950	4,028
B	Current payments:					
1	Merchandise imports (adjusted)	2,472	2,766	2,511	3,012	2,617
4	Travel expenditures	315	155	209	230	278
5	Interest and dividends	230	414	249	272	270
6	Freight and shipping	225	218	187	232	233
7	Inheritances and emigrants' funds	60	58	42	47	65
9	Official contributions	82	33	52	80	20
11	All other current payments	311	330	332	357	343
12	Total current payments	3,695	3,974	3,582	4,230	3,826
C	Current account balance:					
1	Merchandise trade	+ 223	+ 40	+ 98	+ 6	+ 86
2	Other transactions, excluding B 9	- 108	- 435	- 380	- 206	+ 136
3	Official contributions	- 82	- 33	- 52	- 80	- 20
4	Total	+ 33	- 428	- 334	- 280	+ 202
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 151	+ 222	+ 138	+ 164	+ 143
2	Direct investment abroad	+ 80	- 34	- 30	- 7	- 25
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	- 52	- 15	- 10	- 22	- 10
3.2	Trade in outstanding common and preference stocks	- 34	- 44	- 53	- 17	+ 30
4	New issues	+ 303	+ 228	+ 317	+ 291	+ 274
5	Retirements	- 87	- 131	- 58	- 131	- 48
6,7,8	Foreign securities	- 103	- 93	- 74	- 70	- 142
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	- 9	- 17	- 3	- 3	- 9
10	Repayments to Canada	+ 1	+ 19	+ 11	+ 2	+ 1
11	Columbia River Treaty, net	-	+ 32	-	-	-
13	Long-term capital transactions n.i.e.	- 11	- 24	+ 39	+ 49	+ 87
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	+ 21	+ 12	+ 48	- 59	+ 7
14.2	Government of Canada demand liabilities	+ 5	+ 8	- 6	- 7	- 2
14.3	Canadian treasury bills	+ 2	- 9	+ 15	+ 8	- 17
17	Other capital movements	- 385	+ 255	- 13	+ 28	- 435
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 239	+ 143	+ 277	+ 256	+ 301
2	Short-term forms (D14 to D17)	- 357	+ 266	+ 44	- 30	- 447
3	Total	- 118	+ 409	+ 321	+ 226	- 146
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	- 105	- 10	- 35	- 37	+ 55
2	Change in net International Monetary Fund position	+ 20	- 9	+ 22	- 17	+ 1
3	Reciprocal swap facility with Federal Reserve System	-	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 are preliminary and data for 1967 are subject to revision

1967	1968			Annual totals		Four quarters ended September 30, 1968	No.
IV	I	II	III	1966	1967		
millions of dollars							
3,057	3,019	3,541	3,351	10,326	11,387	12,968	A
26	29	28	27	127	112	110	1
168	79	235	548	840	1,304	1,030	3
110	68	80	79	318	294	337	4
226	200	236	238	758	845	900	5
75	57	102	128	268	337	362	6
197	187	193	196	759	806	773	7
3,859	3,639	4,415	4,567	13,396	15,085	16,480	11
							12
2,766	2,783	3,179	2,880	10,102	10,906	11,608	B
160	209	243	375	900	877	987	1
399	292	315	298	1,140	1,190	1,304	4
232	201	244	245	823	884	922	5
59	41	48	70	198	213	218	6
29	14	39	51	166	181	133	7
345	342	344	343	1,229	1,377	1,374	9
3,990	3,882	4,412	4,262	14,558	15,628	16,546	11
							12
+ 291	+ 236	+ 362	+ 471	+ 224	+ 481	+ 1,360	C
- 393	- 465	- 320	- 115	- 1,220	- 843	- 1,293	1
- 29	- 14	- 39	- 51	- 166	- 181	- 133	2
- 131	- 243	+ 3	+ 305	- 1,162	- 543	- 66	3
							4
+ 175	+ 10	+ 200	+ 185	+ 710	+ 620	+ 570	D
- 28	- 85	+ 10	- 15	- 5	- 90	- 118	1
- 14	- 53	- 11	- 13	- 104	- 56	- 91	2
+ 52	+ 15	+ 34	+ 10	- 136	+ 12	+ 111	3.1
+ 418	+ 408	+ 706	+ 489	+ 1,465	+ 1,300	+ 2,021	3.2
- 101	- 126	- 119	- 38	- 499	- 338	- 384	4
- 132	- 70	- 116	- 131	- 401	- 418	- 449	5
- 23	- 10	- 8	- 15	- 35	- 38	- 56	6,7,8
+ 20	+ 2	+ 2	+ 1	+ 24	+ 34	+ 25	9
+ 44	-	-	-	+ 32	+ 44	+ 44	10
+ 94	+ 30	+ 15	- 46	+ 10	+ 269	+ 93	11
+ 28	+ 8	+ 4	+ 4	+ 10	+ 24	+ 44	13
+ 11	- 4	- 3	+ 1	+ 5	- 4	+ 5	14.1
- 2	+ 23	+ 1	+ 11	- 15	+ 4	+ 33	14.2
- 382	- 670	- 98	- 588	- 258	- 802	- 1,738	14.3
							17
+ 505	+ 121	+ 713	+ 427	+ 1,061	+ 1,339	+ 1,766	E
- 345	- 643	- 96	- 572	- 258	- 778	- 1,656	1
+ 160	- 522	+ 617	- 145	+ 803	+ 561	+ 110	2
							3
+ 51	- 23	+ 355	- 43	- 462	+ 34	+ 340	H = C+E
- 22	- 471	+ 130	+ 69	+ 103	- 16	- 294	1
-	- 271	+ 135	+ 134	-	-	- 2	2
							3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

CATALOGUE No.

67-001

QUARTERLY



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER 1968



Published by Authority of
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Balance of Payments and Financial
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Balance of Payments Section

March 1969
2306-502

Price: 50 cents
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Vol. 16—No. 4

The basic historical record of the Canadian quarterly Balance of Payments with all countries (including bilateral transactions) may be obtained from the following publications.

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information	1.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1967" for 1965 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Fourth Quarter 1967" for bilateral data for 1965 and 1966 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1968" for revised 1966 and 1967 data .....	.50

Note: Additional subsidiary detail published regularly may be traced through the successive quarterly reports.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Fourth Quarter 1968 and Preliminary Estimates for the Year 1968

There was a further sharp contraction to \$181 million in Canada's current account deficit from transactions in goods and services in 1968 which lowered it to one-third of the 1967 figure and almost \$1 billion below the 1966 level. The improvement of \$362 million in 1968 was the result of accelerated growth of over \$800 million in the merchandise surplus, concentrated in the United States account, which was reduced by an increase of some \$450 million in the non-merchandise deficit reflecting in large part the return to the pre-1967 pattern in the travel account after the temporary stimulus afforded in 1967 by Expo 67 and other activities associated with Canada's centennial.

Summary Statement

	1966	1967	1968	1967	1968				
				IV Q	I Q	II Q	III Q	IV Q	
	millions of dollars								
Merchandise trade balance	+ 224	+ 481	+ 1,295	+ 291	+ 231	+ 355	+ 467	+ 242	
Balance on non-merchandise transactions	- 1,386	- 1,024	- 1,476	- 422	- 479	- 359	- 166	- 472	
Current account balance	- 1,162	- 543	- 181	- 131	- 248	- 4	+ 301	- 230	
Capital movements in long-term forms ..	+ 1,061	+ 1,339	+ 1,544	+ 505	+ 112	+ 721	+ 392	+ 319	
Capital movements in short-term forms	- 258	- 778	- 1,010	- 345	- 629	- 97	- 532	+ 248	
Net capital movement(1)	+ 803	+ 561	+ 534	+ 160	- 517	+ 624	- 140	+ 567	
Official monetary movements(2)	- 359	+ 18	+ 353	+ 29	- 765	+ 620	+ 161	+ 337	

(1) Excluding items in final line.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

The current account balance, adjusted for seasonal variations, was particularly strong in the second quarter of the year as external factors pushed up foreign demand for a number of Canadian commodities. With the Canadian economy performing closer to capacity in the latter months of 1968 the demand for imports increased, and this combined with the deterioration in the travel account led to some weakening of the balance.

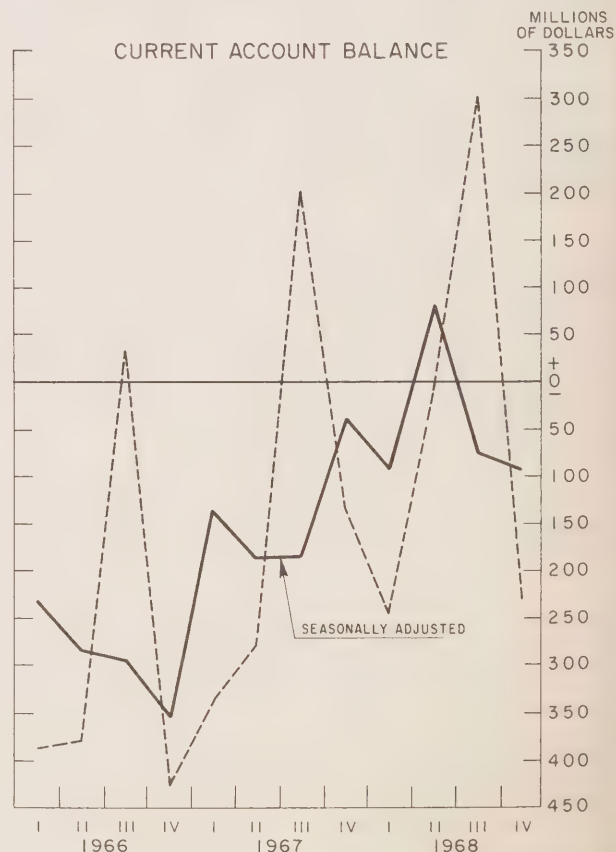
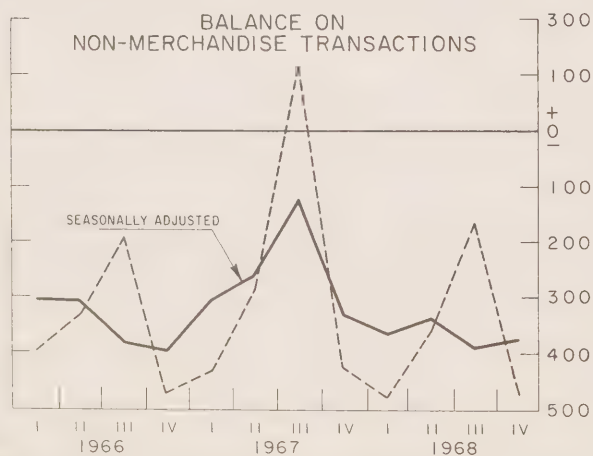
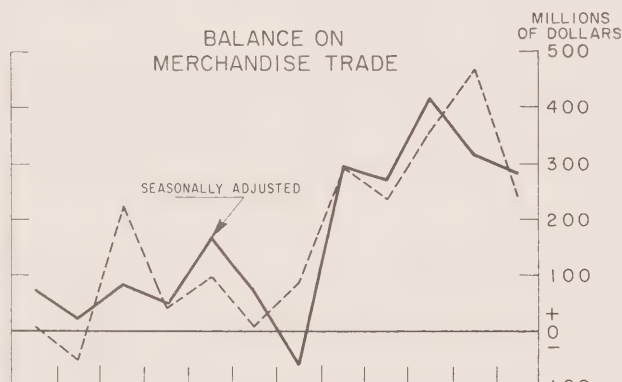
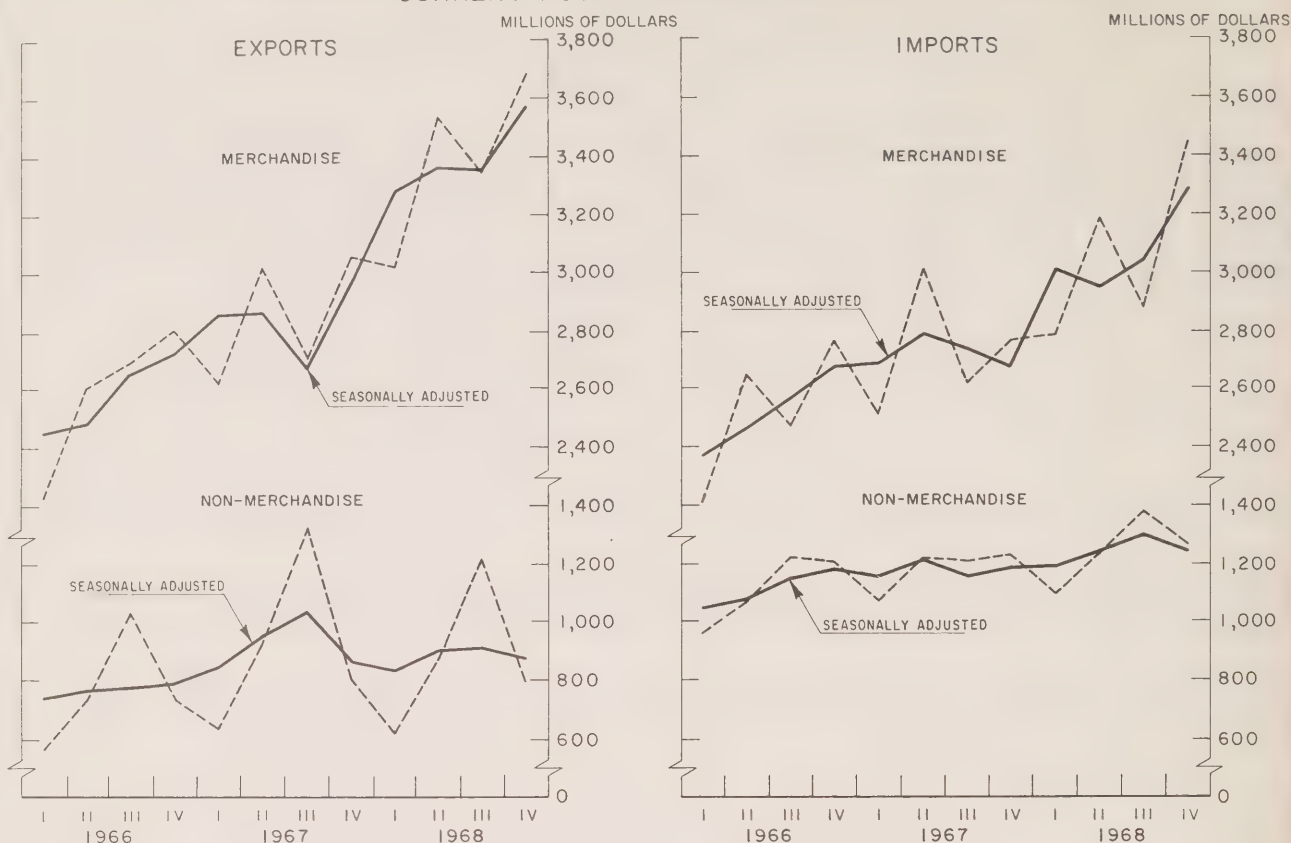
Inflows of capital in long-term forms rose over \$200 million to \$1,544 million as new Canadian issues sold to non-residents approached \$2 billion. Short-term capital outflows also rose by more than \$200 million to reach \$1,010 million. Included in these latter flows are amounts reflecting movements which have not yet been identified. As indicated later in this report, the errors and omissions element of the Canadian balance of payments during 1968 as currently measured reflects relatively large unidentified net payments of about \$500 million. In accordance with past Canadian practice the figure has been included in the account with the United States as one element in item D17.5, covering "other" capital transactions in short-term forms. It may, of course, reflect in part transactions which properly belong to other categories.

Canada's official monetary assets increased by \$353 million over the year. The quarterly movements reflect the speculative attack on the Canadian dollar in the first quarter of the year, some of the resources mobilized in defence, and the subsequent replenishment and build-up of these assets.

The book value of Canada's balance of international indebtedness* is estimated to have exceeded \$24 1/2 billion by the end of 1968. The increase of about \$1/2 billion during the year reflected the net earnings accruing but undistributed on international investments as well as the financing of the current account deficit. Long-term foreign investment in Canada was about \$36 1/2 billion and other claims of non-residents brought the total of Canada's external liabilities to more than \$41 billion.

* The term includes equity investments as well as contractual borrowings and is used in the broad sense generally accepted in balance of payments terminology.

CURRENT ACCOUNT TRANSACTIONS



Canadian assets abroad had a book value in excess of \$16 1/2 billion including long-term investments of about \$10 billion. The most recent comprehensive estimates of the Canadian balance of international indebtedness were included in the report for the third quarter of 1968.

Both total receipts and payments on international exchanges of goods and services between Canada and foreign countries climbed to new high levels in 1968 from the previous records established in 1967. The exports of goods and services advanced 13 per cent from \$15,085 million in 1967 to a preliminary total of \$17,106 million, while payments increased 11 per cent from \$15,628 million to an estimated total of \$17,287 million in 1968. The current account deficit accordingly declined considerably from \$543 million in 1967 (and \$1,162 million in 1966) to \$181 million in 1968.

Bilaterally the large decline in Canada's current account deficit was derived entirely from transactions with the United States as the payments balance dropped by \$422 million. Surplus balances with the United Kingdom and other countries were lower by \$45 million and \$15 million, respectively.

Merchandise Trade(1)

The merchandise trade surplus in 1968 rose to \$1,295 million, amounting to over 2 1/2 times the 1967 total. As usual the second and third quarters of the year produced the strongest balances. However, it should be noted that the timing of imports and exports was dislocated to some extent in 1968 by labour disputes which affected the St. Lawrence Seaway and some port facilities. In addition the introduction of Kennedy Round tariff reductions in Canada and other countries injected new factors into the trade environment, while the increasing rationalization of the North American automobile industry under the agreement with the United States was evident in the increases in both exports and imports. Overall trade in motor vehicles and parts contributed only a relatively small amount of about \$75 million to the total improvement in the trade balance.

(1) A more detailed analysis of Canada's external trade in 1968 prepared by the External Trade Division is published in the DBS Daily Bulletin of February 21, 1969.

Merchandise Trade 1968

Selected exports by destination with adjustments for Balance of Payments purposes

	Destination						Per cent of total domestic exports (Trade of Canada)
	United States	United Kingdom	Other Western Europe	Japan	Other countries	All countries	
	millions of dollars						
<u>DOMESTIC EXPORTS (Trade of Canada)</u>	8,892	1,210	1,024	607	1,487	13,220	100.0
Of which:							
Motor vehicles, engines and parts	2,428	3	12	-	195	2,638	20.0
Newprint paper	827	55	11	12	85	990	7.5
Wheat	1	106	119	95	363	684	5.2
Lumber	510	49	22	46	29	656	5.0
Wood pulp	424	38	90	50	26	628	4.8
Copper ores and alloys	206	125	131	124	26	612	4.6
Crude petroleum and natural gas	604	-	-	-	-	604	4.6
Nickel ores and alloys	242	143	96	14	11	506	3.8
Aluminum ores and alloys	253	73	34	47	56	463	3.5
Iron ore	339	38	47	19	-	443	3.4
Aircraft, engines and parts	286	8	30	-	45	369	2.8
Fabricated iron and steel	264	16	4	13	43	340	2.6
<u>RE-EXPORTS (Trade of Canada)</u>	288	16	21	1	28	354	...
<u>ADJUSTMENTS</u>							
Wheat	-	+ 15	- 17	- 5	+ 3	- 4	...
Aircraft and other adjustments	- 3	- 1	+ 30	-	+ 1	+ 27	...
<u>EXPORTS (Adjusted for Balance of Payments)</u>	9,177	1,240	1,058	603	1,519	13,597	...

In 1968 total merchandise exports, adjusted for balance of payments purposes, as shown in the statement on page 27, increased by over 19 per cent compared with 1967 to \$13,597 million. In absolute terms this growth in Canadian exports was by far the largest ever achieved and the largest over the past 17 years in percentage terms. Moreover the 1968 relative growth in merchandise exports was amongst the highest recorded in the world, being some 8 percentage points above the 11 per cent climb in world merchandise trade which was the largest increase since the end of the Second World War.

The principal factor behind the Canadian export performance in 1968 was the strong expansion of the United States economy. Disposable income and consumption, despite increased taxes at all levels of government, continued to grow and gave rise to an increase in demand for imported goods at prices relatively attractive on a broad range of imports. Further, strikes or the threat of strikes in the United States in the copper, aluminum and steel industries necessitated resort to alternative sources of supply through imports for current consumption and stockpiling.

The largest gain in exports was made in the end products group of commodities which rose by about 37 per cent to \$4,243 million. Within this group exports of motor vehicles, engines and parts increased by over 50 per cent. The share of this group of commodities in total domestic exports rose from 28 per cent in 1967 to 32 per cent in 1968. Gains were also made in exports of the crude materials and fabricated materials groups. Within the former group significant increases took place in exports of iron ore, copper, nickel, crude petroleum and natural gas and asbestos, amounting to about \$300 million. Other relatively significant export increases in the fabricated materials group amounting to about \$500 million were recorded for lumber, woodpulp, newsprint paper, fertilizers, petroleum and coal products, copper and alloys, iron and steel, aluminum and precious metals. There was a small decline in exports of the food, feed and beverages items owing to lower shipments in 1968 of wheat and other grain. Re-exports, mainly of fabricated materials and end products increased by about \$55 million.

Merchandise Trade 1968

Selected imports by source with adjustments for Balance of Payments purposes

	Source							Per cent of total imports (Trade of Canada)
	United States	United Kingdom	Other Western Europe	Japan	Venez- uela	Other countries	All countries	
	millions of dollars							
<u>IMPORTS (Trade of Canada)</u>	9,057	696	954	360	358	942	12,367	100.0
Of which:								
Motor vehicles, engines and parts	2,771	74	123	32	-	1	3,001	24.3
Crude petroleum, fuel oil, other petroleum products	71	4	4	-	357	153	589	4.8
Chemicals and chemical products	461	35	67	9	-	4	576	4.7
Aircraft, engines and parts	406	24	3	4	-	-	437	3.5
Tractors and agricultural machinery	313	19	21	-	-	-	353	2.8
Fabricated iron and steel	91	23	36	19	-	156	325	2.6
Communication equipment	212	20	25	50	-	6	313	2.5
Electronic computers and office equipment	156	13	25	4	-	2	200	1.6
<u>ADJUSTMENTS</u>								
Aircraft and other equipment	- 34	- 9	-	-	-	-	- 43	...
Other adjustments	- 16	- 4	- 1	-	-	- 1	- 22	...
<u>IMPORTS (Adjusted for Balance of Payments)</u>	9,007	683	953	360	358	941	12,302	...

Total merchandise imports in 1968, also adjusted for balance of payments purposes, rose by about 13 per cent to \$12,302 million. Again, the largest increase took place in imports of end products which rose by over 16 per cent to \$7,628 million as the relative share of this group in total imports rose by about 3 percentage points to some 62 per cent. Within the group, imports of motor vehicles increased by \$370 million and together with imports of motor vehicle parts this item contributed over 50 per cent to the rise in imports in 1968; imports of aircraft also rose significantly. Despite increases amounting to about \$230 million in imports in the other major commodity groups, namely food, feed, beverages and tobacco, crude materials and fabricated materials, the share of each of these groups in total imports fell below the 1967 level; imports of aircraft and of communication and related equipment rose by 58 per cent and 9 per cent to \$234 million and \$313 million respectively. Significant increases in imports were recorded for coal, crude petroleum, fuel oil, organic chemicals and silver.

Adjustments to merchandise trade in 1968 included a net addition of \$23 million to exports to cover progress payments on aircraft and other adjustments including those in respect of timing of wheat shipments. Recorded Trade of Canada figures of imports were reduced by \$65 million mainly reflecting the amount by which deliveries of aircraft exceeded progress payments. The net effect of these adjustments was to increase the merchandise trade balance by \$88 million.

The 1968 expansion in Canadian foreign trade took place against a background of rising export and import prices. Export prices rose on average throughout the year by about 3 1/2 per cent whilst import prices increased by some 2 1/4 per cent. Among the major commodity sections, food, feed, beverages and tobacco declined marginally, while the larger sections increased. End products had the smallest increase in export prices at 3 1/4 per cent. The 1968 increase over 1967 for all commodities was about twice as large as the 1967 increase over 1966. In the case of imports, except for the food, feed, beverages and tobacco group where the increase exceeded 5 per cent, the largest annual price increase occurred in the end products groups at about 2 1/4 per cent. Overall, the 1968 rise in import prices was some four times greater than the 1967 increase.

Balances on Principal Non-merchandise Transactions

	1966	1967	1968	Change in 1968
	millions of dollars			
Gold production available for export	+ 127	+ 112	+ 112	-
Travel expenditures	- 60	+ 427	- 8	- 435
Interest and dividends	- 822	- 896	- 971	- 75
Freight and shipping	- 65	- 39	- 22	+ 17
Inheritances and migrants' funds	+ 70	+ 124	+ 151	+ 27
Official contributions	- 166	- 181	- 133	+ 48
All other current transactions	- 470	- 571	- 605	- 34
Balance on non-merchandise transactions	- 1,386	- 1,024	- 1,476	- 452

Non-Merchandise Transactions

In 1968 receipts from non-merchandise transactions fell by 5 per cent below the 1967 level to \$3,509 million. Payments rose about 6 per cent to \$4,985 million. The deficit on non-merchandise transactions increased, as a result, by \$452 million to \$1,476 million. Travel expenditures were largely responsible for the rise in the deficit moving from a surplus of \$427 million in 1967 to a deficit of \$8 million in 1968. Travel account receipts by Canada at \$992 million were \$312 million lower than in the previous year when travel to Canada was stimulated by Expo 67 and other centennial activities. At \$886 million, expenditures of United States travellers in Canada in 1968 were \$272 million less than in 1967 and accounted for over 87 per cent of the total reduction in travel receipts during 1968. Travel receipts from residents of the United Kingdom and other OECD countries in Europe fell by \$23 million and those of visitors from the Rest of the Sterling Area and from other countries fell more moderately.

Travel Expenditures

	1966	1967	1968	Change in 1968
millions of dollars				
United States:				
Receipts ...	730	1,158	886	- 272
Payments ...	628	609	688	+ 79
Balance	+ 102	+ 549	+ 198	- 351
Overseas:				
Receipts ...	110	146	106	- 40
Payments ...	272	268	312	+ 44
Balance	- 162	- 122	- 206	- 84
All countries:				
Receipts ...	840	1,304	992	- 312
Payments ...	900	877	1,000	+ 123
Balance	- 60	+ 427	- 8	- 435

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1966	1,140	429	711
1967	1,190	471	719
1968	1,310	549	761
1967 I Q ...	249	105	144
II Q ...	272	130	142
III Q ...	270	106	164
IV Q ...	399	130	269
1968 I Q ...	292	122	170
II Q ...	315	144	171
III Q ...	298	123	175
IV Q ...	405	160	245

in dividend receipts reflecting increased earnings on both direct and portfolio investments. Interest earnings remained unchanged at the 1967 level of \$102 million. Their composition changed significantly, however, as the United Kingdom exercised its waiver rights under the 1946 loan agreement to defer interest payments of \$18 million. This was entirely offset by increased earnings on official holdings of foreign exchange as well as receipt for the first time of Canada's share of the net income in 1968 of the International Monetary Fund. The net payment of interest and dividends comprised about two-thirds of the deficit on non-merchandise transactions in 1968.

The expansion in Canada's merchandise exports and imports during 1968 led to record levels of receipts and payments for freight and shipping. Receipts rose by \$74 million to \$919 million, equivalent to 26 per cent of total non-merchandise receipts, and payments rose by \$57 million to \$941 million equivalent to about 19 per cent of total non-merchandise payments in 1968. With the deficit being reduced by \$17 million, net payments for freight and shipping in 1968 were about 44 per cent less than those in 1967.

Due to an increase in per capita funds brought by immigrants especially from the Middle East, the United States and other sterling area countries, receipts of immigrants' funds (despite a fall of about 16 per cent in numbers) increased together with inheritances by about 10 per cent to total \$371 million. With emigrants' funds rising marginally the surplus from migrants' transfers and inheritances rose by about 22 per cent to \$151 million.

Canadian travel expenditures abroad increased by 14 per cent to \$1 billion, \$688 million of which was spent in the United States. The increase was spread over all the areas but the bulk of the increase, \$79 million or 64 per cent, was related to travel in the United States. Increased Canadian expenditures amounting to nearly \$40 million to the United Kingdom and other overseas countries were recorded in 1968. The travel surplus with the United States fell by about 64 per cent to \$198 million whilst the deficit with the rest of the world rose by about 69 per cent to \$206 million.

The downward trend shown in recent years in gold production available for export did not continue in 1968 as no reduction from the 1967 figure of \$112 million was recorded. The segregation in March 1968 of monetary gold from non-monetary gold coupled with a two-tier pricing system has led to changes in the marketing of gold production.

Net payments of interest and dividends rose a little over 8 per cent from \$896 million in 1967 to \$971 million in 1968. This net increase of \$75 million was accounted for by a rise of \$120 million in payments of interest and dividends to \$1,310 million, which was to some extent offset by a \$45 million rise in income receipts to \$339 million. Interest payments increased by \$78 million to \$549 million. For the most part, this increase was attributable to large non-resident purchases of new bond issues of provincial governments and private corporations in both 1967 and 1968 and of the federal government in 1968. Geographically, most of the interest payments continued to go to the United States although payments to countries of continental Europe grew especially in the fourth quarter as a result of large borrowings during the year. Increased profits of unincorporated branches of foreign companies together with expanded payments by Canadian subsidiaries to their United States parent companies accounted for most of the \$42 million increase in dividend payments to \$761 million in 1968. All of the increase of \$45 million in income receipts was due to the rise

Canada's official economic aid in cash grants and donations of goods and services to developing countries was reduced from \$181 million in 1967 to \$133 million in 1968. There were decreases in both the international development assistance programme and in the international food aid programme. In the former programme there was a decline in economic, technical and other assistance given to Colombo Plan countries while most of the reduction in the international food aid programme was due to a drop in wheat and wheat flour shipments.

Miscellaneous Current Transactions, 1967 and 1968

	Receipts		Payments	
	1967	1968	1967	1968
	millions of dollars			
Government transactions, excluding official contributions	231	193	214	208
Personal and institutional remittances	43	43	138	110
Miscellaneous income	169	166	287	289
Business services and other transactions	364	374	739	774
Totals	807	776	1,378	1,381
Balance .....	...	...	- 571	- 605

On the miscellaneous current transactions account there was a relatively small increase over 1967 of about 6 per cent in the 1968 deficit, as a result of a reduction of about 5 per cent in receipts which fell to \$776 million and of a small increase of \$4 million in payments to \$1,381 million. The balance on government transactions excluding official contributions moved from a surplus of just over \$16 million in 1967 to a deficit of \$16 million in 1968. This change reflects the decline of foreign government expenditures which included in 1967 expenditures on Expo 67. An increase in net payments on business services and other transactions and on miscellaneous income amounting to about \$30 million was largely offset by a reduction of \$28 million in net personal and institutional remittances due to lower outflows of such funds which in 1967 had been stimulated by the Middle East crisis.

Current Transactions in the Fourth Quarter (Seasonally Adjusted)

The current account deficit in the fourth quarter, of \$92 million seasonally adjusted, was about 21 per cent above the third quarter deficit but stood at about the same level as the first quarter deficit. New highs were registered in the fourth quarter by merchandise exports which increased by \$219 million from the third quarter to \$3,578 million and by merchandise imports which increased by \$250 million to \$3,292 million in the fourth quarter. The merchandise trade surplus fell by about 10 per cent to \$286 million as the increase in imports exceeded that of exports.

The deficit on invisible transactions fell by about 4 per cent to \$378 million in the fourth quarter. Total invisible receipts and payments both declined about 4 per cent from the third quarter to \$872 million and \$1,250 million respectively. Declines occurred largely in the travel and interest and dividend items. The travel deficit fell by 32 per cent to \$17 million. Receipts on this component fell by 7 per cent to \$236 million but payments fell by 9 per cent to \$253 million. At \$79 million interest and dividend receipts were about 17 per cent below the third quarter; interest and dividend payments fell by 11 per cent to \$239 million. The deficit on this item was reduced by about 8 per cent to \$230 million.

Partly offsetting these reductions in deficits and a small increase in gold production available for export, there were increased deficits on freight and shipping and on other transactions and

Balances on Current Transactions,
Seasonally Adjusted

	Merchandise balance	Balance on non- merchandise transactions	Current account balance (1)
millions of dollars			
1967			
I Q	+ 172	- 306	- 134
II Q	+ 79	- 265	- 186
III Q	- 63	- 122	- 185
IV Q	+ 293	- 331	- 38
Year	+ 481	- 1,024	- 543
1968			
I Q	+ 274	- 367	- 93
II Q	+ 418	- 338	+ 80
III Q	+ 317	- 393	- 76
IV Q	+ 286	- 378	- 92
Year	+ 1,295	- 1,476	- 181

(1) Omission of inheritances and migrants' funds yields exports and imports of goods and services as published in the National Accounts (seasonally adjusted at annual rates).

Note: Details of current account items, seasonally adjusted, may be found on pages 28 and 29.

mestic exports to the United States. Other commodities where significant increases in exports were recorded were crude petroleum and natural gas, lumber and woodpulp, aluminum and steel products.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
millions of dollars					
United States:					
1966	- 590	- 605	- 191	- 644	- 2,030
1967	- 582	- 520	+ 53	- 330	- 1,379
1968	- 460	- 289	+ 120	- 328	- 957
United Kingdom:					
1966	+ 106	+ 110	+ 101	+ 108	+ 425
1967	+ 125	+ 108	+ 88	+ 163	+ 484
1968	+ 118	+ 122	+ 108	+ 91	+ 439
Other countries:					
1966	+ 97	+ 115	+ 123	+ 108	+ 443
1967	+ 123	+ 132	+ 61	+ 36	+ 352
1968	+ 94	+ 163	+ 73	+ 7	+ 337
All countries:					
1966	- 387	- 380	+ 33	- 428	- 1,162
1967	- 334	- 280	+ 202	- 131	- 543
1968	- 248	- 4	+ 301	- 230	- 181

a reduced surplus on inheritances and migrants' funds.

Following revisions to the raw data the statement on pages 28 and 29 contains revised quarterly seasonally adjusted series for the years 1966 to 1968.

Transactions by Areas

During 1968 the share of the United States in Canadian merchandise exports increased to 67 per cent while its proportion of merchandise imports remained unchanged at some 73 per cent. Exports to the United States rose by over 25 per cent to \$9,177 million, whilst imports were up by about 13 per cent to \$9,077 million. The trade balance (adjusted for balance of payments purposes) with the United States thus changed from a deficit of \$655 million in 1967 to a surplus of \$170 million. The pattern of merchandise trade with the United States since the Second World War has been consistently one of a Canadian deficit with that country. As already indicated the growth in demand in an expanding United States economy, coupled with the need to meet or anticipate the effects of strikes in a number of important industries, contributed to this surge in Canadian exports in 1968. The most important increase in exports to the United States was accounted for by deliveries of automotive products which rose by about \$850 million, equivalent to about 47 per cent of the total increase in do-

Motor vehicles and parts also accounted for the largest individual commodity rise in imports from the United States in 1968. The increase in imports for the whole of the end products group of commodities contributed over 89 per cent to the total increase in imports from the United States as the share of this group in total imports from the United States rose from 66 per cent in 1967 to 69 per cent in 1968.

As for non-merchandise transactions with the United States, receipts fell by about 6 per cent to \$2,347 million and payments rose by about 8 per cent to \$3,474 million. The deficit on invisible trade therefore rose by \$403 million to \$1,127 million. The only factor which contributed significantly to the reduction in receipts from the United States was the decline in travel expenditures received by Canada from United States visitors which fell by \$272 million to \$886 million. On the invisible payments side, the increase of \$249 million in payments to the United States was spread over all the items with the largest increase of \$100 million taking place in interest and dividend payments, while travel account payments rose by \$79 million to \$688 million in 1968. Together these two items accounted for about three-quarters of the increase in payments and for about half of the increased

deficit on all the non-merchandise transactions with the United States. In 1968 the current account deficit with the United States fell by \$422 million to \$957 million, the lowest deficit recorded since 1954.

Canada's Bilateral Accounts with the United States and the Rest of the World

	1966	1967	1968	1967	1968			
				IV Q	I Q	II Q	III Q	IV Q
	millions of dollars							
Transactions with the United States:(1)								
Current account balance	- 2,157	- 1,491	- 1,069	- 356	- 489	- 317	+ 93	- 356
Capital movements in long-term forms	+ 1,238	+ 1,227	+ 1,064	+ 401	+ 87	+ 367	+ 285	+ 325
Capital movements in short-term forms	- 179	- 891	- 1,130	- 256	- 451	- 211	- 734	+ 266
Totals	- 1,098	- 1,155	- 1,135	- 211	- 853	- 161	- 356	+ 235
Transactions with the rest of the world:								
Current account balance	+ 868	+ 836	+ 776	+ 199	+ 212	+ 285	+ 181	+ 98
Capital movements in long-term forms	- 177	+ 112	+ 480	+ 104	+ 25	+ 354	+ 107	- 6
Capital movements in short-term forms	- 79	+ 113	+ 120	- 89	- 178	+ 114	+ 202	- 18
Totals	+ 612	+ 1,061	+ 1,376	+ 214	+ 59	+ 753	+ 490	+ 74
Gold production available for export	+ 127	+ 112	+ 112	+ 26	+ 29	+ 28	+ 27	+ 28
Official monetary movements(2)	- 359	+ 18	+ 353	+ 29	- 765	+ 620	+ 161	+ 337

(1) Excluding gold production available for export shown separately below.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

If the credit from gold production is excluded Canada's current account deficit with the United States in 1968 fell to \$1,069 million from \$1,491 million in 1967. Net capital movements between the two countries produced a small outflow of \$66 million as net short-term outflows rose to \$1,130 million while net long-term inflows declined to \$1,064 million. In sum these transactions with the United States gave rise to successive quarterly payments of \$853 million, \$161 million and \$356 million in the first three quarters of the year followed by net receipts of \$235 million in the fourth quarter.

Total receipts from the United Kingdom increased marginally by one per cent to \$1,610 million. Merchandise exports rose by \$41 million but receipts from invisible transactions fell by \$25 million to \$370 million. Total payments to the United Kingdom rose to \$1,171 million with the increase in imports, which climbed to \$683 million, accounting for over 52 per cent of the rise of \$61 million.

The share of the United Kingdom market in the Canadian merchandise export trade as well as the ratio of merchandise imports from the United Kingdom to total Canadian merchandise imports fell slightly during 1968. Receipts from invisible transactions with the United Kingdom fell by about 6 per cent to \$370 million whilst payments increased also by about 6 per cent to \$488 million. With the trade balance with the United Kingdom increasing slightly by \$9 million to \$557 million and the invisible trade balance nearly doubling to \$118 million, the current account surplus with the United Kingdom fell by about 9 per cent to \$439 million. Increased exports were recorded for iron ore, nickel, woodpulp, newsprint paper, copper, and aircraft, whilst decreases were recorded for lumber and steel. The largest percentage increase in imports occurred in the fabricated materials group which increased by 4 per cent; the end products group, which accounted for about 60 per cent of total merchandise imports from the

United Kingdom, increased by about 2 per cent. On the non-merchandise side, the increased deficit of \$54 million was almost wholly produced by the increased payment balances on the travel and interest and dividend items. Offsetting these increases and the smaller ones in the deficits on inheritances and migrants' funds and other current transactions, there was a small increase in the surplus on freight and shipping transactions. The surplus on freight and shipping transactions with the United Kingdom together with the surplus on migrants' funds, \$28 million and \$43 million respectively, were equivalent in 1968 to about two-fifths of the deficit on the rest of the invisible account with the United Kingdom.

Current Account Balances with Principal Countries and Areas

Area	1966	1967	1968	Change in 1968
millions of dollars				
United States	- 2,030	- 1,379	- 957	+ 422
Overseas:				
United Kingdom	+ .425	+ 484	+ 439	- 45
Rest of Sterling Area	+ 69	+ 189	+ 201	+ 12
Other OECD (Europe)	- 185	- 151	- 194	- 43
Other countries	+ 559	+ 314	+ 330	+ 16
All countries	- 1,162	- 543	- 181	+ 362

Total receipts from other countries increased by 8 per cent to \$3,972 million. Within this group of countries the receipts from the OECD group (excluding the United States, United Kingdom, and other sterling area countries and Japan) increased by \$91 million, those from the Rest of the Sterling Area fell by \$25 million and those from the remaining countries increased by \$241 million. The overall increase included a rise of \$317 million in merchandise exports. Total payments to other countries rose by about 10 per cent to \$3,635 million again mainly to non-sterling area countries; the increase of \$337 million for imports being reduced by a decrease of \$15 million for payments on non-merchandise transactions. The current account surplus with the other countries therefore fell by 4 per cent to \$337 million. It was made up of merchandise trade surpluses totalling \$159 million, \$99 million and \$310 million with the Rest of the Sterling Area, the OECD and the remaining countries sub-group respectively, and invisible trade surpluses of \$42 million and \$20 million for the Rest of the Sterling Area and the remaining countries sub-group respectively, partially offset by a deficit of \$293 million in non-merchandise transactions with the OECD sub-group.

Merchandise export increases to other countries included higher exports of copper to Italy, West Germany, Belgium and Luxembourg and Japan, nickel to Norway, woodpulp to West Germany and Japan, motor vehicles and parts to Australia, Puerto Rico, South Africa, Mexico, Venezuela and the Philippines, aircraft and parts to the Netherlands, Brazil, India and Australia and wheat to Communist China. Increased merchandise imports included higher imports of commodities in the end products section of over \$40 million from the European Common Market and of over \$16 million from Commonwealth and Preferential Countries (excluding the United Kingdom). Imports of commodities in the end products section and of crude materials from all other countries showed gains of over \$80 million and \$45 million respectively. Relatively substantial reductions occurred in imports from Belgium and Luxembourg, France, Libya and Nigeria.

On non-merchandise transactions, net payments on travel more than doubled to \$116 million during 1968. On the other hand, net receipts from interest and dividends, freight and shipping and inheritances and migrants' funds were 13 per cent higher than in 1967. This increase in net receipts together with the decrease of \$48 million in official contributions more than offset the increase in the travel deficit with other countries. An increase of \$5 million in the net payments on other current transactions, mainly to OECD countries cut the net reduction in the non-merchandise deficit of \$231 million with other countries to \$5 million. Including official contributions which amounted to about 58 per cent of the deficit on non-merchandise transactions with other countries, the current account balance with these countries fell by about 4 per cent to \$337 million in 1968.

Total current and capital account transactions with the United Kingdom and other overseas countries led to net receipts by Canada of \$1,376 million in 1968, over \$300 million above the 1967 inflow. The favourable current account balance of \$776 million was down by \$60 million from the 1967

level while capital movements in long-term and short-term forms both recorded larger net inflows, with the former rising over fourfold principally as the result of Canadian new issues placed in continental Europe. Contributing to the inflow on short-term account were increased holdings by non-residents of Canadian dollars, a decline in Canadian bank balances and other short-term funds abroad and net receipts through intercompany accounts.

The \$241 million difference between the net receipts from overseas countries and the smaller net payments to the United States plus the gold production available for export of \$112 million is reflected in the \$353 million increase in official holdings of gold, foreign exchange and IMF balance.

Capital Movements

Summary									
Item	1966	1967	1968	1967	1968				
					I Q	II Q	III Q	IV Q	
				IV Q					
millions of dollars									
Capital movements in long-term forms	+ 1,061	+ 1,339	+ 1,544	+ 505	+ 112	+ 721	+ 392	+ 319	
Capital movements in short-term forms	- 258	- 778	- 1,010	- 345	- 629	- 97	- 532	+ 248	
Balance on goods and services	- 1,162	- 543	- 181	- 131	- 248	- 4	+ 301	- 230	
Official monetary movements(1)	- 359	+ 18	+ 353	+ 29	- 765	+ 620	+ 161	+ 337	
(1) Change in holdings of monetary gold, foreign exchange, and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.									

(1) Change in holdings of monetary gold, foreign exchange, and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

Net capital inflows into Canada fell slightly to \$534 million in 1968 from \$561 million in the preceding year. Long-term capital inflows were recorded in all four quarters of the year while short-term movements produced outflows in the first three quarters and an inflow in the fourth quarter.

Unprecedented irregularity in capital flows was a characteristic of the year. A massive withdrawal of capital from Canada occurred in the first quarter when the Canadian dollar came under sharp attack. Restoration of confidence contributed to the even larger inflow in the second quarter, when a significant contribution was also made by new issues placed in Europe and the United States by the Government of Canada to replenish foreign exchange reserves. The third quarter, reflecting the seasonal influences evident in recent years, again saw a net outflow of capital, and in the final quarter of the year very substantial inflows emerged. While the net capital inflow contracted slightly between 1967 and 1968 the fall in the current account deficit to \$181 million was greater so that the balance of current and capital account transactions together produced an increase of \$353 million in official monetary assets.

Categories of long-term transactions which led to the largest net inflows were sales of new issues of Canadian securities, with the Government of Canada placements to build up foreign exchange reserves prominent, followed by direct investment in Canada, which was relatively large in the last three quarters of 1968 after an inflow of only \$10 million in the first quarter. A significant inflow was also produced from transactions in outstanding Canadian stocks as the trend towards increased non-resident holdings of these securities, evident since the third quarter of 1967, continued throughout 1968. The principal outflow arose from Canadian net purchases of foreign securities, retirements of Canadian securities held abroad, and direct investment abroad by Canadian companies. Sales of new issues of Canadian securities are taken into the balance of payments at the time of delivery. Offerings for later delivery reached record proportions in 1968, particularly with the announcement in the fourth

quarter of a major hydro-electric issue in New York. The effect of adjusting the actual inflows to reflect the timing of security offerings is shown in the accompanying statement.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1966	+ 1,061	+ 860
1967	+ 1,339	+ 1,587
1968	+ 1,544	+ 2,097
1967 I Q	+ 277	+ 330
II Q	+ 256	+ 360
III Q	+ 301	+ 460
IV Q	+ 505	+ 437
1968 I Q	+ 112	+ 178
II Q	+ 721	+ 639
III Q	+ 392	+ 402
IV Q	+ 319	+ 878

Capital movements in short-term forms led to an outflow of \$1,010 million in 1968 compared with \$778 million in the previous year. The principal contributors to this movement were an enlarged outflow for the acquisition by Canadians of foreign currency bank deposits and other short-term funds abroad, an acceleration in the run-down of non-resident holdings of Canadian finance company paper and an increase in the outflow due to "all other transactions". This account includes changes in loans and in accounts receivable and payable as well as the balancing item representing the difference between direct measurements of the current and capital accounts. This item is discussed in more detail in the section describing capital movements in short-term forms.

The net capital inflow of \$534 million which occurred in 1968 was made up of outflows of \$417 million represented by increases by the chartered banks together with their domestic customers of net foreign currency claims on non-residents, and of inflows aggregating \$951 million from all other capital transactions. The increase in the banks net foreign currency claims on non-residents of \$417 million reflected an

outflow of \$465 million to the United States and an inflow of \$48 million from overseas countries. Details appear in the following statement which includes gold assets and liabilities. (Since the first quarter of 1968 gold assets have been included with claims on residents of overseas countries rather than of the United States.) Measures taken to alleviate the stresses in the international exchange markets in 1968 led to closer financial relationships between Canada and the United States. In the banking sphere, chartered banks and other financial intermediaries were requested at the beginning of March not to facilitate swapped deposit transactions; this request was withdrawn in mid-June. Guidelines designed to ensure that the chartered banks would not be a channel for the outflow of funds from the United States, which impaired the balance of payments of that country without improving Canada's external position were announced on May 3, 1968. In the year as a whole foreign currency assets rose in both the United States and other countries, however, liabilities to residents of the United States declined substantially while those to residents of other countries outpaced the increase in assets there. At the end of the year the Canadian chartered banks had a net short spot foreign currency position overseas of \$304 million and a net long spot foreign currency position in the United States of US \$1,964 million. In effect they had been the medium for the channelling of \$304 million from overseas countries to the United States. The net foreign currency claims on non-residents of \$1,660 million comprised net spot positions of \$441 million of the banks and of \$1,219 million of their Canadian customers.

The introduction of banking guidelines referred to above was one element in the development of new financial arrangements between Canada and the United States in 1968. These began with the announcement by the President of the United States on the first day of the year of mandatory controls over capital flows and of other measures to strengthen the United States balance of payments. The impact on Canada and the subsequent arrangements under which Canada was exempted from all United States balance of payments measures affecting capital flows that were administered by the Department of Commerce or the Federal Reserve System were chronicled in detail in the report for the first quarter of the year.

The banking guidelines issued on May 3rd pursuant to the understanding reached earlier, were followed on July 24th by a similar guideline to all other financial institutions in Canada, and on September 19th by announcement of a program applicable to other Canadian incorporated companies to ensure that their investments outside Canada and the United States would be compatible with Canada's unrestricted access to the United States capital market.

Foreign Currency Assets and Liabilities of Head Offices and Branches in Canada
of the Canadian Chartered Banks, 1966-1968

	Net Transactions							Amount end of 1968
	1966	1967	1968	I Q 68	II Q 68	III Q 68	IV Q 68	
	millions of dollars							
Assets with residents of:								
United States	208	273	169	- 207	247	210	- 81	2,505
Other countries	- 2	391	744	223	40	95	386	2,231
Total non-resident	206	664	913	16	287	305	305	4,736
Canada (b)	84	- 110	- 54	- 29	- 22	- 7	4	848
Totals	290	554	859	- 13	265	298	309	5,584
Liabilities with residents of:								
United States	- 309	76	- 296	- 98	38	- 145	- 91	541
Other countries	48	188	792	48	197	273	274	2,535
Total non-resident	- 261	264	496	- 50	235	128	183	3,076
Canada - swapped deposits(1)	187	165	- 141	- 164	- 161	166	18	763
- other	214	199	229	199	71	- 62	21	1,304
Total Canada (a)	401	364	88	35	- 90	104	39	2,067
Totals	140	628	584	- 15	145	232	222	5,143
Net Assets with residents of:								
United States	517	197	465	- 109	209	355	10	1,964
Other countries	- 50	203	- 48	175	- 157	- 178	112	- 304
Total non-resident	467	400	417	66	52	177	122	1,660
Canada	- 317	- 474	- 142	- 64	68	- 111	- 35	- 1,219
Totals (a)	150	- 74	275	2	120	66	87	441

(1) Funds converted into a foreign currency, usually United States dollars, which have been placed on term deposit with a bank and which the bank has undertaken through a forward contract to convert back into Canadian dollars at maturity.

Note: This statement shows the effect on Canada's balance of payments of foreign currency banking operations of the Canadian Chartered Banks. As described on page 14 of the report for the second quarter of 1965, the amounts identified as (a) are embodied within item D 17.1 (e.g. this item in 1968 led to a net outflow of \$363 million, reflecting an increase of \$88 million in residents' holdings of foreign currency deposits with Canadian chartered banks in Canada and a rise of \$275 million in the net foreign currency holdings of these institutions); the amount identified as (b) is embodied within items D 13 and D 17.5 (e.g. in 1968 as an aggregate outflow of \$54 million). The transactions figures are based on data published monthly in the Statistical Summary of the Bank of Canada, but have been adjusted so as to eliminate changes in value resulting from variations in exchange rates.

There was made public on December 17th, 1968 an exchange of letters between the Honourable Henry Fowler, Secretary of the Treasury of the United States and the Honourable E.J. Benson, Minister of Finance, relating to the application of United States balance of payments measures to Canada. The Secretary noted again the unique relationship between the two countries, and the variety of measures which had been taken on each side of the border to support overall economic objectives. He had concluded that implementation of the principle that it would not be Canada's intention to increase its foreign exchange reserves through borrowings in the United States did not require that Canada's reserve level be limited to any particular figure. Canada's need was recognized for flexibility with respect to reserve levels in order to accommodate the adaptation of monetary policy to the changing needs of its domestic economy, seasonal factors and other influences of a temporary nature. Mr. Benson reiterated that it is not an objective of Canadian policy to achieve permanent increases in Canada's exchange reserves through unnecessary borrowing in the United States.

The original understanding with respect to Canada's reserve level had been reached in 1963 when Canada was accorded exemption from some of the provisions of the Interest Equalization Tax.

Direct Investment

Investment by foreign companies in Canadian subsidiaries and branches in 1968 involved a net capital inflow of \$585 million. This represents a further modest decline in direct investment inflows from the post-war high of \$710 million recorded in 1966. (The net inflow in 1967 was \$620 million). A significant reduction in the net inflow from the United States was more than ^{Partially} offset by higher inflows from overseas. Sharply increased inflows from the United Kingdom were associated with investment in a large hydro-electric project in the fourth quarter and the takeover of existing Canadian assets, including an interest in a large brewing concern, in the second quarter. The rather large inflow of direct investment from Japan, an interesting feature of 1968, together with investment from countries of continental Europe accounted for a significant increase in inflows from other overseas countries. Approximately three-fifths of the year's inflow came from the United States, and a fifth each from the United Kingdom and other countries.

Most of the 1968 inflow was evenly distributed between the last three quarters of the year. The net inflow in the first quarter, which was very low at \$10 million, reflects the influence of fairly large disinvestments by a number of United States mining and petroleum companies associated in some cases with refinancing from Canadian sources.

The industrial distribution of the 1968 inflows corresponds broadly with that for 1967. Enterprises engaged in mining and manufacturing, (especially pulp and paper, food and beverages, and chemicals) again received the bulk of the total inflow, although investments in petroleum and utilities were also important.

According to preliminary estimates the net outflow of capital for direct investment abroad totalled \$170 million during 1968, some \$45 million higher than the 1965 outflow of \$125 million. (Outflows in 1966 and 1967 were unusually low at \$5 million and \$90 million, respectively, owing to a number of special transactions which led to the return of large amounts of capital to Canada). Approximately half the 1968 outflow occurred in the first quarter when large investments in the United States and countries of the European Economic Community were made by a number of major Canadian manufacturing enterprises. An inflow of \$10 million during the second quarter resulted from net disinvestment from the United States and United Kingdom.

In addition to long-term flows for direct investment, a good deal of short-term financing between parent companies and other subsidiaries is provided through inter-company accounts. Changes in these accounts are included in the item "other" short-term capital movements, D17.5.

Security Transactions

The record net inflow of \$1,144 million from international transactions in portfolio securities in 1968 was far in excess of the previous high of \$645 million recorded in 1964 and more than double the 1967 inflow. For the first time since the Second World War residents of foreign countries other than the United States and the United Kingdom became a substantial source of portfolio capital, providing \$474 million or two-fifths of the year's net inflow. This borrowing, mainly from the countries of continental Europe, which constituted, perhaps, the most significant change in the pattern of Canada's international portfolio capital movements for a number of years, reflected to some extent Government borrowing to replenish foreign exchange reserves depleted during the exchange crisis in the first quarter of the year. The United States, the traditional source, provided \$677 million, slightly less than the record 1964 figure of \$685 million. There was a \$7 million outflow to the United Kingdom.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year			1967					1968				
	1966	1967	1968	IV Q	I Q	II Q	III Q	IV Q	IV Q	I Q	II Q	III Q	IV Q
millions of dollars													
Canadian securities:													
Outstanding - Bonds	- 104	- 56	- 70	- 14	- 53	- 11	- 13	+ 7					
Stocks	- 136	+ 12	+ 112	+ 52	+ 15	+ 34	+ 10	+ 53					
New issues	+ 1,465	+ 1,300	+ 1,961	+ 418	+ 416	+ 712	+ 488	+ 345					
Retirements	- 499	- 338	- 395	- 101	- 126	- 121	- 39	- 109					
Foreign securities:													
Outstanding issues	- 361	- 367	- 420	- 126	- 73	- 124	- 120	- 103					
New issues	- 57	- 66	- 70	- 13	- 23	- 10	- 14	- 23					
Retirements	+ 17	+ 15	+ 26	+ 7	+ 9	+ 7	+ 2	+ 8					
Totals, all countries ..	+ 325	+ 500	+ 1,144	+ 223	+ 165	+ 487	+ 314	+ 178					
United States	+ 415	+ 578	+ 677	+ 214	+ 143	+ 235	+ 147	+ 152					
United Kingdom	- 22	- 61	- 7	+ 3	+ 11	- 12	+ 2	- 8					
Other countries	- 68	- 17	+ 474	+ 6	+ 11	+ 264	+ 165	+ 34					

As shown in the accompanying statement, the \$644 million rise in the overall capital inflow between 1967 and 1968 was more than accounted for by a very substantial increase of \$661 million in sales abroad of Canadian new issues and a \$100 million rise in net sales of outstanding Canadian equities. The effect of these movements, however, was partially offset by increases of \$57 million for the retirement of Canadian issues, of \$14 million for the repatriation of Canadian bonds and of \$46 million for the purchase of foreign securities.

The proceeds from sales to non-residents of Canadian new issues during 1968 at \$1,961 million were the largest ever recorded, and were 51 per cent above the previous high of 1967. Sales to non-residents of new issues of stocks and all main categories of bonds rose except for those issued by municipal governments and railways which were only slightly lower. The largest increases were in issues of the Government of Canada, up to \$288 million from \$20 million, and by corporate borrowers up to \$551 million from \$285 million.

In a significant new development during 1968, \$491 million of Canadian new issues were sold in continental Europe. All but a negligible amount of this total represented issues placed in European markets in Euro-dollars or European currencies, accounting for most of the increase of \$661 million in total new issues in 1968.

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
millions of dollars			
1966	1,156	1,357	122
1967	1,448	1,200	370
1968	1,902	1,349	923
1967 I Q	348	295	175
II Q	378	274	279
III Q	418	259	438
IV Q	304	372	370
1968 I Q	406	340	436
II Q	350	432	354
III Q	289	279	364
IV Q	857	298	923

(1) At end of period.

Total bond offerings of \$1,902 million to residents of the United States were over 31 per cent higher than the record level of 1967. It should be noted, however, that a proportion of new Canadian issues placed with United States underwriters is sometimes resold to residents of other foreign countries. Offerings in 1968 included an extremely large fourth quarter total of \$857 million. Considerable portions of these offerings, including the whole of an extremely large offering in connection with a large hydro-electric project, were for later delivery. The undelivered balances of outstanding offerings at the end of the year, rose to the unprecedented level of \$923 million.

Retirements of Canadian securities rose by 17 per cent to \$395 million from \$338 million in 1967. Rising retirements are to be expected as the result of earlier borrowing following the Second World War. With the exception of Government of Canada direct and guaranteed issues where

retirements fell by \$36 million, every major category of borrower had higher retirements than in the previous year with increases in railway issues (not guaranteed by Government) and corporate bonds being the most significant.

New issues of foreign securities purchased by Canadians gave rise to an outflow of a record \$70 million in 1968 slightly above the previous year's \$66 million outflow. Purchases of new United States issues led to an outflow of \$44 million while the bulk of the remainder was attributable to the placement in Canada in the first quarter of a new issue of the International Bank for Reconstruction and Development. Retirements also rose to the record level of \$26 million.

Net capital movements due to Canada's trading in outstanding portfolio securities in 1968 produced a net outflow of \$378 million, an 8 per cent decrease from the \$411 million of 1967. Net sales of Canadian equities rose sharply to \$112 million from \$12 million in 1967, the first year to show a sales balance since 1961. There were net inflows of about \$104 million and \$49 million from the United States and other foreign countries respectively while there was a net outflow of about \$41 million to the United Kingdom. Transactions in Canadian bonds and debentures gave rise to a net outflow of \$70 million; the third purchase balance since 1957. Almost one-half of this resulted from repurchases of \$33 million of provincial direct and guaranteed bonds. Net purchases by Canadians of outstanding foreign securities which increased by \$53 million in 1968 to \$420 million included purchases of \$379 million of United States equities. This was the ninth net outflow in the last ten years resulting from Canadian purchases of outstanding foreign securities. It brought the total outflow for the ten years to over \$1.3 billion of which over four fifths was devoted to increased Canadian ownership of United States outstanding common and preference stocks.

After accounting for retirements, non-residents purchased a net of \$1,608 million of new and outstanding Canadian issues or the equivalent of 41 per cent of the net new supply (excluding amounts absorbed by funds generated by the Canada and Quebec pension plans) compared with \$918 million or 24 per cent of the total in 1967. In 1968 the net new supply of direct and guaranteed bonds of the Government of Canada totalled some \$1,174 million compared with \$615 million in 1967. Non-residents' holdings of these issues were increased by \$211 million in 1968 with the first direct placements of Government of Canada issues on foreign markets since 1963. These increases may be compared to reductions of \$116 million and \$248 million in non-residents' holdings of these bonds for the years 1967 and 1966 respectively. Net acquisitions by non-residents of all other Canadian securities at around \$1,397 million in 1968 were equivalent to 51 per cent of the net new supply, up 19 percentage points from 1967.

Long-term interest rates in both Canada and United States in 1968 continued the advances evident in 1967 to reach the highest levels since the war. Over-the-year yields on representative long-term government bonds rose by 80 basis points in Canada and by 44 basis points in the United States. Interest rate differentials between these bonds varied from about 1.81 per cent in March to about 1.43 per cent in August. Common stock prices in Canada (as measured by the Dominion Bureau of Statistics Investors' Index) rose by 15 per cent during 1968. The United States common stock market prices (as measured by Standard and Poor's '500' Index) rose more slowly, up 8 per cent, in 1968.

A more detailed review of international security movements in 1968 will be found in the December issue of "Sales and Purchases of Securities Between Canada and Other Countries" (DBS Catalogue No. 67-002) which also contains information relating to international transactions in Canadian short-term money market instruments.

Other Capital Flows in Long-term Forms

Non-military assistance abroad by the Canadian Government in 1968 consisted largely of payments of the regular assessments by the international organisations of which Canada is a member, official contributions, inter-governmental loans, subscriptions to the capital of investment agencies and the extension or guarantee of export credits. Both assessments and contributions form a part of Canada's payments on current account, while other transactions, to the extent that they give rise to claims on non-residents, are mainly reflected in capital movements in long-term forms.

Disbursements on inter-governmental loans extended by Canada doubled again during 1968 to \$48 million as amounts previously committed for specific projects under the development loan program were drawn by the recipient countries. Disbursements are expected to grow in succeeding years as drawings so far constitute only a fraction of the aid commitments.

Subscriptions to the capital of international agencies in 1968 amounted to \$27 million. The whole of this amount was paid to the International Development Association in the form of non-negotiable, non-interest bearing Canadian dollar demand notes. Changes in these obligations are reflected

In item D14.2 of the capital account covering Government of Canada demand liabilities.

During the year Canada received \$5 million in repayments of principal on inter-governmental loans extended earlier. This represented a decrease of \$29 million from the 1967 total and reflected the "foregiveness" in 1967 of a wheat loan to India as well as the exercise of waiver provisions by the United Kingdom on the repayment of principal on the 1946 loan. In 1967 Canada received \$19 million of loan repayments from the United Kingdom. Most of the repayments in 1968 were from India, representing the final payments on the aircraft purchase loan, and from Belgium. In addition to the repayments of principal there were receipts of \$7 million during the year on account of interest. These receipts form part of the current account item comprising Canada's receipts of interest and dividends.

Receipts from the United States associated with the Columbia River Treaty arrangements doubled in 1968 to \$88 million. This increase reflected the receipt of the second and largest flood control payment under the terms of the Treaty. In addition to this receipt of US \$52.1 million there was a further annual maturity of US \$30.0 million of the medium-term non-marketable United States Government securities acquired by the Canadian Government in connection with the treaty arrangements. Holdings of these securities stood at US \$83.9 million at the end of 1968.

Detail of Long-term Capital Transactions n.i.e.
Item D13

Year and quarter	Export credits(1)						Sub- total	Other trans- actions	Total
	Wheat			Other commodities					
	Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net			
	millions of dollars								
1966	- 191	+ 153	- 38	- 65	+ 56	- 9	- 47	+ 57	+ 10
1967	- 91	+ 219	+ 128	- 59	+ 39	- 20	+ 108	+ 161	+ 269
1968	- 144	+ 211	+ 67	- 89	+ 45	- 44	+ 23	- 53	- 30
1967 I Q	- 27	+ 46	+ 19	- 12	+ 10	- 2	+ 17	+ 22	+ 39
II Q	- 39	+ 95	+ 56	- 14	+ 8	- 6	+ 50	- 1	+ 49
III Q	- 24	+ 42	+ 18	- 10	+ 11	+ 1	+ 19	+ 68	+ 87
IV Q	- 1	+ 36	+ 35	- 23	+ 10	- 13	+ 22	+ 72	+ 94
1968 I Q	- 25	+ 76	+ 51	- 19	+ 12	- 7	+ 44	- 14	+ 30
II Q	- 45	+ 57	+ 12	- 14	+ 10	- 4	+ 8	+ 17	+ 25
III Q	- 46	+ 48	+ 2	- 25	+ 14	- 11	- 9	- 68	- 77
IV Q	- 28	+ 30	+ 2	- 31	+ 9	- 22	- 20	+ 12	- 8

(1) Medium and long-term export credits extended from Canada directly or indirectly at risk of the Government of Canada.

Transactions during 1968 arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government of Canada led to a net capital inflow of \$23 million. This represented a reduction of \$85 million from the 1967 figure, which was almost entirely attributable to a sharp increase in advances made for the purchase of Canadian exports, particularly of wheat. Repayments remained at about the same high level as in 1967.

The remaining capital movements in long-term forms, which include bank and other long-term loans, mortgage investments and movements of insurance funds, led to a net outflow of \$53 million in 1968, involving a swing of \$214 million from the 1967 inflow of \$161 million. Repayment in the third quarter of earlier corporate borrowings from the United Kingdom was the major factor contributing to this movement.

Capital Movements in Short-Term Forms

Capital movements in short-term forms (apart from changes in official holdings of gold, foreign exchange and Canada's balance with the International Monetary Fund) led on balance to a net capital outflow of \$1,010 million, or \$232 million more than in 1967.

Canadian dollar deposits of non-residents rose by \$70 million over the year. Residents of the United States, United Kingdom and other foreign countries increased their holdings by \$25 million, \$4 million, and \$41 million, respectively. At the year-end deposit liabilities to non-residents aggregated about \$690 million, of which some \$410 million were held by United States residents, \$70 million by United Kingdom residents, and \$210 million by residents of other foreign countries. Government of Canada demand liabilities payable to non-residents increased by \$21 million in 1968. The amount outstanding was approximately \$50 million, entirely in the form of interest-free demand notes issued to international investment agencies.

Holdings by non-residents of Canadian treasury bills increased by \$48 million in 1968, the largest net sales since 1960, bringing holdings up to \$72 million. Foreign official institutions were on balance large purchasers of these instruments while private non-residents were on the whole, net sellers.

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1966	1967	1968	1967	1968				
				IV Q	I Q	II Q	III Q	IV Q	
millions of dollars									
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 601	- 286	- 373	- 351	- 125	+ 27	- 149	- 126	
17.2 Canadian commercial paper, etc.	-	+ 11	- 11	+ 11	+ 7	- 17	+ 2	- 3	
17.3 Canadian finance company paper	- 4	- 54	- 135	+ 18	- 60	- 35	- 37	- 3	
17.4 Canadian finance company obligations, n.i.e.	+ 154	+ 34	+ 19	+ 71	- 7	- 6	- 1	+ 33	
17.5 All other transactions(1)	+ 193	- 507	- 649	- 131	- 471	- 68	- 363	+ 253	
Total (Item D 17)	- 258	- 802	- 1,149	- 382	- 656	- 99	- 548	+ 154	

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

An increase by Canadian residents of their holdings of bank balances and other short-term funds abroad produced a net capital outflow of \$373 million, an increase of 30 per cent over the comparable 1967 outflow. Outflows in excess of \$100 million to augment these holdings were registered in all quarters of 1968 except the second quarter when a modest reduction occurred. A sharp reduction in residents' holdings of swapped foreign currency deposits during the year was more than offset by an increase in their holdings of uncovered foreign currency deposits.

In 1968 non-residents reduced their holdings of Canadian finance company paper (including that of manufacturing and retail enterprises) by \$135 million, the largest reduction since 1965. There were net outflows of \$66 million, \$34 million and \$35 million to the United States, the United Kingdom and other foreign countries, respectively. At December 1968 non-resident holdings of approximately \$125 million represented 10 per cent of the total short-term paper issued by Canadian finance companies.

Transactions in other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies) led on balance to an inflow of \$19 million, just over one half the \$34 million inflow in 1967. In addition, there were other finance company transactions not identified separately which have been included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. All in all, capital flows associated with the international borrowing of these companies showed a net outflow of about \$90 million. Net outflows of about \$70 million, \$45 million and \$30 million recorded successively in the first three

quarters were partially offset by a \$55 million inflow in the fourth quarter.

International transactions in Canadian commercial paper (including bankers' acceptances) led to a small net capital inflow of \$1 million following a \$13 million outflow in 1967. Non-residents decreased their holdings of other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) by \$12 million in 1968. In 1967 there was a \$24 million inflow from transactions in these instruments.

A primary factor influencing international flows of short-term capital is the existence of short-term interest rate differentials between the major financial centres of the world. Other factors impinging upon instruments negotiated in this money market are term, currency, credit risk, etc., as well as the character, requirements and relationships of lenders and borrowers. Hence, when considering this market and its capital flows, a wide variety of interest differentials could be appropriate; treasury bill yields are one such measure for which published figures are readily available. However, the volume of international transactions in Canadian treasury bills has declined in importance in recent years and while the trends shown in treasury bill yields tend to apply generally to other interest rates, these rates are not necessarily those at which the bulk of short-term funds move. Before provision of foreign exchange cover, the yield differential on 3 month Canadian and United States treasury bills (on the United States quotation basis) varied from a 187 basis points spread in favour of Canada on March 28th, to 9 basis points in favour of the United States at December 27. Yield differentials with forward exchange cover, however, moved considerably more in favour of the United States instruments ranging from 65 basis points advantage for Canadian bills in the first week of the year to a 95 basis point spread in favour of the United States treasury bills at June 13th and closed at 45 basis points in favour of the latter. However, while interest rate differentials provide a major incentive to the movement of arbitrage capital, other considerations including the handling costs of such transactions may be sufficient to offset the more narrow differentials. The Bank Rate was successively raised from 6 per cent at the beginning of the year to 7 per cent in the latter part of January and 7 1/2 per cent in early March where it remained until the beginning of July, when the rates were successively lowered to 7 per cent, 6 1/2 per cent at the end of July and to 6 per cent by the beginning of September. This rate continued until mid-December when it was raised to the closing rate of 6 1/2 per cent or one half per cent point higher than the year's opening Bank Rate.

While treasury bill yields are indicative of the movements of short-term interest rates, the bulk of non-resident short-term investment funds go into other money market instruments, particularly Canadian finance and commercial paper. Interest rates paid by large finance companies for 3 to 6 month paper opened in 1968 at about 6 1/2 per cent, moved sharply up to 7 1/4 per cent in late March and remained at this level until late June. By early September, the rates had fallen to 6 1/4 per cent and closed at 6 1/2 per cent.

All other transactions led to a net capital outflow of \$649 million, an increase of \$142 million compared with the 1967 outflow. The large number of identifiable items included in this account demonstrated widely divergent movements during the year. Recorded transactions relating to intercompany accounts (both receivable and payable) led to significant net outflows in each quarter except the third. There were large movements both inwards and outwards arising from bank loans, with net repayments on balance. By far the largest component in 1968, however, comprised the balancing item representing the difference between the direct measurements of the current and capital accounts.

Balance of payments estimates employ a double-entry system of accounting. In general, the two offsetting entries for a given transaction or flow are not made explicitly but are included as a result of the methods used for estimating the balance of payments. Since the sources, on which the entries are based may be incomplete or inaccurate and different sources which may not be consistent with one another, are in most cases used for the two flows making up the transactions, an item representing all unidentified transactions is required to bring the statement into balance. Errors and omissions are likely to be in some degree offsetting, and the item is accordingly described as "net errors and omissions".

It is, then, in the nature of things that all countries have problems of statistical measurement reflected in balances of unidentified transactions, which at times may loom large in their overall estimates. In Canadian balance of payments statements figures for net errors and omissions do not appear explicitly. The practice has been followed of including them in the "other" item of capital movements in short-term forms (D17.5), normally in the United States account.

In the twenty-one years from 1946-1966 net errors and omissions in the Canadian balance of payments were on balance small. There were fourteen years in which there were net unidentified receipts, aggregating about \$1.3 billion, and seven years of net unidentified payments, aggregating about \$1.1 billion. The largest annual balance, unidentified payments of \$389 million, occurred in 1952 when the

balance of payments was affected by the confluence of a number of special factors. The net balance over the 21-year span represented unidentified receipts of under \$0.2 billion. Given the pervasive nature of Canada's international economic and financial relationships, and the wide variety of channels through which transactions take place, the figures are extremely small; Canada's gross international transactions by 1965 were in excess of \$35 billion per annum.

Since 1965 there have been net unidentified payments on balance each year. The amounts in both 1967 and 1968 as currently estimated are slightly more than \$500 million. In the final quarter of 1967 unusually large unidentified payments were indicated and these increased further to between \$400 million and \$500 million in the first quarter of 1968 when the Canadian dollar was under attack. Small unidentified net receipts occurred in the second quarter, presumably reflecting in part the reflux of speculative outflows from Canada in the preceding quarter. In the third quarter net unidentified payments fell just short of \$500 million but a sharp reversal of some \$400 million was indicated in the fourth quarter. Net unidentified payments of approximately \$500 million in 1968 as a whole were about equal to those in 1967. While the amounts were large by historical standards, they must be viewed in the light of international transactions currently in excess of \$50 billion per annum.

It is not yet known to what extent these figures will be altered by the more complete measurement of short-term capital flows between Canada and other countries; they do not yet reflect the processing of short-term data collected less frequently than quarterly. Nevertheless, the recent development of a persistent series of unidentified net payments raises questions as to whether there may not be some measurement difficulties of a continuing nature affecting elements of the current account or of capital movements in long-term forms. A number of possibilities are being explored but it seems unlikely that any clear explanation can be expected in the very short run.

Official Holdings of Gold and Foreign Exchange

The Canadian dollar was not immune in the early months of 1968 from the vicissitudes evident in the international foreign exchange markets in much of the year. This period of increased uncertainty was heralded by the sterling devaluation of November 1967 and accentuated, particularly for Canada, by the announcement on January 1, 1968 of further United States measures designed to improve its balance of payments position. The Canadian dollar came under speculative attack leading to a substantial decline in the overall foreign exchange reserves and the activation of US \$250 million of Canada's standby reciprocal swap facility with the Federal Reserve System of the United States.

In addition the authorities withdrew Canada's net balance with the International Monetary Fund which had been US \$433 million at the beginning of the year. Reciprocal credit facilities were also arranged with the central banks of Germany and Italy in the amounts of US \$150 million each and with the Bank for International Settlements for US \$100 million while that with the Federal Reserve System was increased from US \$750 million to US \$1,000 million.

Following official fiscal and monetary policy action and the Canadian exemption from the January United States balance of payments measures, it was apparent by mid-March that confidence in the Canadian dollar was returning. The incipient problem of international liquidity culminated in March, 1968 with a crisis in the gold market which was alleviated by the segregation of official monetary gold from non-monetary gold supported by a two-tier pricing system. Action taken by the members of the International Monetary Fund to increase international liquidity by the introduction of a system of Special Drawing Rights, continued throughout the year. From mid-summer the focus of speculative attention switched somewhat away from North America especially to the Deutschmark and the French franc. Standby credit facilities of US \$2,000 million were arranged in November for this latter currency with the Bank of Canada providing US \$100 million.

Based on strong current account balances throughout most of the year which were buttressed by continued long-term capital inflows, Canada's overall foreign exchange reserves rose dramatically in the last three quarters of 1968 to record a substantial increase for the year as a whole which included the re-establishment of a net asset position of US \$206 million with the IMF and the repayment of the US \$250 million borrowed from the Federal Reserve System. Concomitant with this reserve increase the Canadian dollar displayed considerable strength on the foreign exchange markets, trading throughout the last eight months of the year within the permitted one per cent range above the official par value in terms of the United States dollar.

At the end of the year Canada's official holdings of monetary gold and United States dollars were US \$2,827 million, a rise of US \$559 million over the year. The strong increase in reserves pushed them in November above the normal level agreed to previously with the United States authorities. In recognition of measures taken by Canada to ensure that it did not serve as a "pass through" channel

to circumvent the United States balance of payments program, and of the investment policy for foreign exchange holdings as well as of changing institutional factors reflected by the Canadian borrowing in Europe, the United States and Canada agreed in an exchange of letters made public on December 17, 1968, that Canada's reserves should not be limited to any particular figure although permanent increases in Canada's reserves should not be achieved through unnecessary borrowing in the United States. As shown in the accompanying statement, quarterly changes were substantial especially if consideration is given to the effects that the changes in the IMF position and the short-term borrowing from the Federal Reserve System had on these data.

Canada's net balance or reserve position with the IMF amounted to \$206 million expressed in United States funds at the end of the year, US \$227 lower than at the beginning. As mentioned above, Canada's net balance was withdrawn from the IMF in the first quarter of 1968 with the Fund's holdings of Canadian dollars rising to virtually 100 per cent of its quota. Canada was then under an obligation to reduce the IMF's holdings of Canadian dollars to no more than 75 per cent of the Canadian quota of US \$740 million, i.e. to no more than US \$185 million. This was accomplished by the end of the third quarter and by the end of the year a small net creditor position of US \$21 million was established.

The annual change expressed in Canadian dollars showed an increase in official holdings of monetary gold and foreign exchange (including working balances of sterling) of \$604 million. The decrease in the IMF balance amounted to \$249 million while the borrowing and repayment of US \$250 million from the Federal Reserve System at different exchange rates resulted in a residual of \$2 million expressed in Canadian dollars. In total these transactions reflect a \$353 million rise in Canada's official net monetary assets.

The following statement provides data on foreign exchange rates and certain reserve items:

Period	United States Dollar in Canada				Official holdings of monetary gold and United States dollars	Net balance with Inter- national Monetary Fund	Reciprocal swap facility with Federal Reserve System
	High	Low	Close	Noon average			
	Canadian cents				millions of United States dollars at end of period		
1967 I Q	108.34	107.75	108.25	108.07	2,203	468	-
II Q	108.34	107.88	107.97	108.16	2,169	452	-
III Q	108.00	107.34	107.41	107.63	2,221	454	-
IV Q	108.13	107.25	108.06	107.61	2,268	433	-
1968 I Q	109.00	108.09	108.28	108.56	2,244	-	- 250
II Q	108.25	107.50	107.59	107.83	2,574	121	- 125
III Q	107.59	107.25	107.25	107.31	2,534	186	-
IV Q	107.38	107.25	107.28	107.29	2,827	206	-
October	107.38	107.25	107.25	107.27	2,525	189	-
November	107.38	107.25	107.28	107.30	2,672	196	-
December	107.38	107.25	107.28	107.31	2,827	206	-

Note: The total of exchange holdings does not include holdings of the Government of Canada at December 31, 1968 of \$84 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Other transact- ions	Total liabi- lities	
millions of United States dollars									
1947-1965	550.0	50.0	600.0	462.5	54.3	- 331.7	61.5(2)	246.6	353.4
1966	190.0		790.0	142.5		- 47.6		341.5	448.5
1967		- 15.0	775.0	- 15.0		15.1		341.6	433.4
1968		- 35.0	740.0	- 35.0	361.2	- 131.2	- 2.8(3)	533.8	206.2
1967 I Q			790.0			- 20.0		321.5	468.5
II Q		- 15.0	775.0	- 15.0		16.1		322.6	452.4
III Q			775.0			- 1.3		321.3	453.7
IV Q			775.0			20.3		341.6	433.4
1968 I Q		- 35.0	740.0	- 35.0	426.0	7.3		739.9	0.1
II Q			740.0			- 121.0		618.9	121.1
III Q			740.0		- 64.8			554.1	185.9
IV Q			740.0			- 17.5	- 2.8(3)	533.8	206.2

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow(GAB). The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

(2) Sales of Canadian dollars to IMF for gold.

(3) Dividend payment to Canada.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

Revisions

This report contains final data for 1966 for the current account items and items D1 to D8 of the capital account. Revisions for the capital account items from D9 to D17 are still not complete and therefore are not included in this report.

STATISTICS OF THE CANADIAN
BALANCE OF INTERNATIONAL PAYMENTS

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Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries, Fourth Quarters 1967 and 1968, and Changes Between the Periods

Fourth quarter	1967	1968	Change	1967	1968	Change
millions of dollars						
	All Countries			United States		
Merchandise exports (adjusted)	3,057	3,686	+ 629	2,047	2,554	+ 507
Merchandise imports (adjusted)	2,766	3,444	+ 678	2,009	2,500	+ 491
Balance on merchandise trade	+ 291	+ 242	- 49	+ 38	+ 54	+ 16
Other current receipts	802	799	- 3	507	518	+ 11
Other current payments	1,224	1,271	+ 47	875	900	+ 25
Balance on non-merchandise transactions ...	- 422	- 472	- 50	- 368	- 382	- 14
Total receipts	3,859	4,485	+ 626	2,554	3,072	+ 518
Total payments	3,990	4,715	+ 725	2,884	3,400	+ 516
Current account balance	- 131	- 230	- 99	- 330	- 328	+ 2
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted)	312	303	- 9	151	149	- 2
Merchandise imports (adjusted)	142	181	+ 39	111	140	+ 29
Balance on merchandise trade	+ 170	+ 122	- 48	+ 40	+ 9	- 31
Other current receipts	109	90	- 19	57	59	+ 2
Other current payments	116	121	+ 5	37	41	+ 4
Balance on non-merchandise transactions ...	- 7	- 31	- 24	+ 20	+ 18	- 2
Total receipts	421	393	- 28	208	208	-
Total payments	258	302	+ 44	148	181	+ 33
Current account balance	+ 163	+ 91	- 72	+ 60	+ 27	- 33
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted)	258	283	+ 25	289	397	+ 108
Merchandise imports (adjusted)	233	285	+ 52	271	338	+ 67
Balance on merchandise trade	+ 25	- 2	- 27	+ 18	+ 59	+ 41
Other current receipts	64	58	- 6	65	74	+ 9
Other current payments	124	133	+ 9	72	76	+ 4
Balance on non-merchandise transactions ...	- 60	- 75	- 15	- 7	- 2	+ 5
Total receipts	322	341	+ 19	354	471	+ 117
Total payments	357	418	+ 61	343	414	+ 71
Current account balance	- 35	- 77	- 42	+ 11	+ 57	+ 46

Note: Omission of items A7 and B7 for inheritances and migrants' funds in the main balance of payments table at the back of this report yields exports and imports of goods and services as published in the National Accounts.

Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries, Years 1967 and 1968, and Changes Between the Periods

Year	1967	1968	Change	1967	1968	Change
millions of dollars						
	All Countries			United States		
Merchandise exports (adjusted)	11,387	13,597	+ 2,210	7,325	9,177	+ 1,852
Merchandise imports (adjusted)	10,906	12,302	+ 1,396	7,980	9,007	+ 1,027
Balance on merchandise trade	+ 481	+ 1,295	+ 814	- 655	+ 170	+ 825
Other current receipts	3,698	3,509	- 189	2,501	2,347	- 154
Other current payments	4,722	4,985	+ 263	3,225	3,474	+ 249
Balance on non-merchandise transactions ...	- 1,024	- 1,476	- 452	- 724	- 1,127	- 403
Total receipts	15,085	17,106	+ 2,021	9,826	11,524	+ 1,698
Total payments	15,628	17,287	+ 1,659	11,205	12,481	+ 1,276
Current account balance	- 543	- 181	+ 362	- 1,379	- 957	+ 422
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted)	1,199	1,240	+ 41	642	616	- 26
Merchandise imports (adjusted)	651	683	+ 32	434	457	+ 23
Balance on merchandise trade	+ 548	+ 557	+ 9	+ 208	+ 159	- 49
Other current receipts	395	370	- 25	227	228	+ 1
Other current payments	459	488	+ 29	246	186	- 60
Balance on non-merchandise transactions ...	- 64	- 118	- 54	- 19	+ 42	+ 61
Total receipts	1,594	1,610	+ 16	869	844	- 25
Total payments	1,110	1,171	+ 61	680	643	- 37
Current account balance	+ 484	+ 439	- 45	+ 189	+ 201	+ 12
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted)	910	1,039	+ 129	1,311	1,525	+ 214
Merchandise imports (adjusted)	843	940	+ 97	998	1,215	+ 217
Balance on merchandise trade	+ 67	+ 99	+ 32	+ 313	+ 310	- 3
Other current receipts	294	256	- 38	281	308	+ 27
Other current payments	512	549	+ 37	280	288	+ 8
Balance on non-merchandise transactions ...	- 218	- 293	- 75	+ 1	+ 20	+ 19
Total receipts	1,204	1,295	+ 91	1,592	1,833	+ 241
Total payments	1,355	1,489	+ 134	1,278	1,503	+ 225
Current account balance	- 151	- 194	- 43	+ 314	+ 330	+ 16

Note: Omission of items A7 and B7 for inheritances and migrants' funds in the main balance of payments table at the back of this report yields exports and imports of goods and services as published in the National Accounts.

Exports and Imports of Goods and Services, Seasonally adjusted, 1966-68

No.		1966				
		I Q	II Q	III Q	IV Q	Year
		millions of dollars				
	<u>Receipts</u>					
1	Merchandise exports (adjusted)	2,454	2,485	2,660	2,727	10,326
2	Gold production available for export	33	30	32	32	127
3	Travel expenditures	210	210	209	211	840
4	Interest and dividends	80	89	70	79	318
5	Freight and shipping	179	182	198	199	758
6	Inheritances and migrants' funds	58	65	71	74	268
7	All other transactions	182	188	195	194	759
8	Sub-totals non-merchandise transactions ...	742	764	775	789	3,070
9	Totals	3,196	3,249	3,435	3,516	13,396
	<u>Payments</u>					
10	Merchandise imports (adjusted)	2,379	2,464	2,576	2,683	10,102
11	Gold production available for export	-	-	-	-	-
12	Travel expenditures	219	223	236	222	900
13	Interest and dividends	264	276	275	325	1,140
14	Freight and shipping	200	204	209	210	823
15	Inheritances and migrants' funds	45	48	52	53	198
16	All other transactions (including official contributions)	319	319	382	375	1,395
17	Sub-totals, non-merchandise transactions	1,047	1,070	1,154	1,185	4,456
18	Totals	3,426	3,534	3,730	3,868	14,558
	<u>Balance</u>					
19	Merchandise trade (adjusted)	+ 75	+ 21	+ 84	+ 44	+ 224
20	Gold production available for export	+ 33	+ 30	+ 32	+ 32	+ 127
21	Travel expenditures	- 9	- 13	- 27	- 11	- 60
22	Interest and dividends	- 184	- 187	- 205	- 246	- 822
23	Freight and shipping	- 21	- 22	- 11	- 11	- 65
24	Inheritances and migrants' funds	+ 13	+ 17	+ 19	+ 21	+ 70
25	All other transactions (including official contributions)	- 137	- 131	- 187	- 181	- 636
26	Sub-totals, non-merchandise transactions	- 305	- 306	- 379	- 396	- 1,386
27	Totals	- 230	- 285	- 295	- 352	- 1,162

Exports and Imports of Goods and Services, Seasonally adjusted, 1966-68

1967					1968					No.
I Q	II Q	III Q	IV Q	Year	I Q	II Q	III Q	IV Q	Year	
millions of dollars										
2,862	2,876	2,678	2,971	11,387	3,287	3,373	3,359	3,578	13,597	1
31	29	26	26	112	28	29	27	28	112	2
238	371	436	259	1,304	236	266	254	236	992	3
80	59	78	77	294	75	90	95	79	339	4
208	212	208	217	845	229	232	227	231	919	5
80	87	88	82	337	76	92	106	97	371	6
211	194	202	199	806	184	194	197	201	776	7
848	952	1,038	860	3,698	828	903	906	872	3,509	8
3,710	3,828	3,716	3,831	15,085	4,115	4,276	4,265	4,450	17,106	9
2,690	2,797	2,741	2,678	10,906	3,013	2,955	3,042	3,292	12,302	10
-	-	-	-	-	-	-	-	-	-	11
234	212	205	226	877	236	232	279	253	1,000	12
266	297	319	308	1,190	313	342	346	309	1,310	13
222	222	217	223	884	238	234	230	239	941	14
52	52	56	53	213	51	53	58	58	220	15
380	434	363	381	1,558	357	380	386	391	1,514	16
1,154	1,217	1,160	1,191	4,722	1,195	1,241	1,299	1,250	4,985	17
3,844	4,014	3,901	3,869	15,628	4,208	4,196	4,341	4,542	17,287	18
+ 172	+ 79	- 63	+ 293	+ 481	+ 274	+ 418	+ 317	+ 286	+ 1,295	19
+ 31	+ 29	+ 26	+ 26	+ 112	+ 28	+ 29	+ 27	+ 28	+ 112	20
+ 4	+ 159	+ 231	+ 33	+ 427	-	+ 34	- 25	- 17	- 8	21
- 186	- 238	- 241	- 231	- 896	- 238	- 252	- 251	- 230	- 971	22
- 14	- 10	- 9	- 6	- 39	- 9	- 2	- 3	- 8	- 22	23
+ 28	+ 35	+ 32	+ 29	+ 124	+ 25	+ 39	+ 48	+ 39	+ 151	24
- 169	- 240	- 161	- 182	- 752	- 173	- 186	- 189	- 190	- 738	25
- 306	- 265	- 122	- 331	- 1,024	- 367	- 338	- 393	- 378	- 1,476	26
- 134	- 186	- 185	- 38	- 543	- 93	+ 80	- 76	- 92	- 181	27

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 are preliminary and data for 1967 are subject to revision

No.		1966	1967			
		IV	I	II	III	IV
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,806	2,609	3,018	2,703	3,057
3	Gold production available for export	32	32	28	26	26
4	Travel expenditures	128	82	346	708	168
5	Interest and dividends	114	70	53	61	110
6	Freight and shipping	207	181	216	222	226
7	Inheritances and immigrants' funds	67	60	96	106	75
11	All other current receipts	192	214	193	202	197
12	Total current receipts	3,546	3,248	3,950	4,028	3,859
B	Current payments:					
1	Merchandise imports (adjusted)	2,766	2,511	3,012	2,617	2,766
4	Travel expenditures	155	209	230	278	160
5	Interest and dividends	414	249	272	270	399
6	Freight and shipping	218	187	232	233	232
7	Inheritances and emigrants' funds	58	42	47	65	59
9	Official contributions	33	52	80	20	29
11	All other current payments	330	332	357	343	345
12	Total current payments	3,974	3,582	4,230	3,826	3,990
C	Current account balance:					
1	Merchandise trade	+ 40	+ 98	+ 6	+ 86	+ 291
2	Other transactions, excluding B 9	- 435	- 380	- 206	+ 136	- 393
3	Official contributions	- 33	- 52	- 80	- 20	- 29
4	Total	- 428	- 334	- 280	+ 202	- 131
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 222	+ 138	+ 164	+ 143	+ 175
2	Direct investment abroad	- 34	- 30	- 7	- 25	- 28
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	- 15	- 10	- 22	- 10	- 14
3.2	Trade in outstanding common and preference stocks	- 44	- 53	- 17	+ 30	+ 52
4	New issues	+ 228	+ 317	+ 291	+ 274	+ 418
5	Retirements	- 131	- 58	- 131	- 48	- 101
6,7,8	Foreign securities	- 93	- 74	- 70	- 142	- 132
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	- 17	- 3	- 3	- 9	- 23
10	Repayments to Canada	+ 19	+ 11	+ 2	+ 1	+ 20
11	Columbia River Treaty, net	+ 32	-	-	-	+ 44
13	Long-term capital transactions n.i.e.	- 24	+ 39	+ 49	+ 87	+ 94
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	+ 12	+ 48	- 59	+ 7	+ 28
14.2	Government of Canada demand liabilities	+ 8	- 6	- 7	- 2	+ 11
14.3	Canadian treasury bills	- 9	+ 15	+ 8	- 17	- 2
17	Other capital movements	+ 255	- 13	+ 28	- 435	- 382
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 143	+ 277	+ 256	+ 301	+ 505
2	Short-term forms (D14 to D17)	+ 266	+ 44	- 30	- 447	- 345
3	Total	+ 409	+ 321	+ 226	- 146	+ 160
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	- 10	- 35	- 37	+ 55	+ 51
2	Change in net International Monetary Fund position	- 9	+ 22	- 17	+ 1	- 22
3	Reciprocal swap facility with Federal Reserve System	-	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 are preliminary and data for 1967 are subject to revision

1968				Annual totals			No.
I	II	III	IV	1966	1967	1968	
millions of dollars							
3,019	3,541	3,351	3,686	10,326	11,387	13,597	A
29	28	27	28	127	112	112	1
79	235	548	130	840	1,304	992	3
68	80	79	112	318	294	339	4
200	236	238	245	758	845	919	5
57	102	128	84	268	337	371	6
187	193	196	200	759	806	776	7
3,639	4,415	4,567	4,485	13,396	15,085	17,106	11
							12
2,788	3,186	2,884	3,444	10,102	10,906	12,302	B
209	243	375	173	900	877	1,000	1
292	315	298	405	1,140	1,190	1,310	4
201	244	245	251	823	884	941	5
41	48	70	61	198	213	220	6
14	39	51	29	166	181	133	7
342	344	343	352	1,229	1,377	1,381	9
3,887	4,419	4,266	4,715	14,558	15,628	17,287	11
							12
+ 231	+ 355	+ 467	+ 242	+ 224	+ 481	+ 1,295	C
- 465	- 320	- 115	- 443	- 1,220	- 843	- 1,343	1
- 14	- 39	- 51	- 29	- 166	- 181	- 133	2
- 248	- 4	+ 301	- 230	- 1,162	- 543	- 181	3
							4
+ 10	+ 205	+ 185	+ 185	+ 710	+ 620	+ 585	D
- 85	+ 10	- 15	- 80	- 5	- 90	- 170	1
- 53	- 11	- 13	+ 7	- 104	- 56	- 70	2
+ 15	+ 34	+ 10	+ 53	- 136	+ 12	+ 112	3.1
+ 416	+ 712	+ 488	+ 345	+ 1,465	+ 1,300	+ 1,961	3.2
- 126	- 121	- 39	- 109	- 499	- 338	- 395	4
- 87	- 127	- 132	- 118	- 401	- 418	- 464	5
- 10	- 8	- 16	- 44	- 35	- 38	- 78	6,7,8
+ 2	+ 2	+ 1	-	+ 24	+ 34	+ 5	9
-	-	-	+ 88	+ 32	+ 44	+ 88	10
+ 30	+ 25	- 77	- 8	+ 10	+ 269	- 30	11
+ 8	+ 4	+ 4	+ 54	+ 10	+ 24	+ 70	13
- 4	- 3	+ 1	+ 27	+ 5	- 4	+ 21	14.1
+ 23	+ 1	+ 11	+ 13	- 15	+ 4	+ 48	14.2
- 656	- 99	- 548	+ 154	- 258	- 802	- 1,149	14.3
							17
+ 112	+ 721	+ 392	+ 319	+ 1,061	+ 1,339	+ 1,544	E
- 629	- 97	- 532	+ 248	- 258	- 778	- 1,010	1
- 517	+ 624	- 140	+ 567	+ 803	+ 561	+ 534	2
							3
- 23	+ 355	- 43	+ 315	- 462	+ 34	+ 604	H = C+E
- 471	+ 130	+ 70	+ 22	+ 103	- 16	- 249	1
- 271	+ 135	+ 134	-	-	-	- 2	2
							3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

CATALOGUE No.

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QUARTERLY



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1969

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The basic historical record of the Canadian quarterly Balance of Payments with all countries (including bilateral transactions) may be obtained from the following publications.

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information	1.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1967" for 1965 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Fourth Quarter 1967" for bilateral data for 1965 and 1966 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1968" for revised 1966 and 1967 data .....	.50

Note: Additional subsidiary detail published regularly may be traced through the successive quarterly reports.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1969

Canada's current account deficit from transactions with the rest of the world widened to \$311 million in the first quarter of 1969 from \$248 million in the same period of 1968. This change reflects a reduced merchandise trade surplus, as imports rose at a faster pace than exports, and an increased deficit on non-merchandise transactions due largely to increased travel payments to non-residents. Capital movements produced a net inflow of \$274 million, a swing of over three quarters of a billion dollars from the outflow in the corresponding period of 1968. In the period under review, long-term capital inflows were at a high level overshadowing short-term outflows. In the previous year, however, speculation against the Canadian dollar induced aberrations in many accounts so that a short-term capital outflow of \$629 million was only partially offset by a low long-term capital inflow of \$112 million. Official net monetary assets fell by \$37 million in the first quarter of 1969 compared with a drop of \$765 million in the corresponding period of 1968.

Summary Statement

	1967	1968	1968				1969
			I Q	II Q	III Q	IV Q	I Q
			millions of dollars				
Merchandise trade balance	+ 481	+ 1,295	+ 231	+ 355	+ 467	+ 242	+ 214
Balance on non-merchandise transactions	- 1,024	- 1,454	- 479	- 354	- 153	- 468	- 525
Current account balance	- 543	- 159	- 248	+ 1	+ 314	- 226	- 311
Capital movements in long-term forms ..	+ 1,339	+ 1,544	+ 112	+ 721	+ 392	+ 319	+ 563
Capital movements in short-term forms	- 778	- 1,032	- 629	- 102	- 545	+ 244	- 289
Net capital movement(1)	+ 561	+ 512	- 517	+ 619	- 153	+ 563	+ 274
Official monetary movements(2)	+ 18	+ 353	- 765	+ 620	+ 161	+ 337	- 37

(1) Excluding items in final line.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

Merchandise Trade

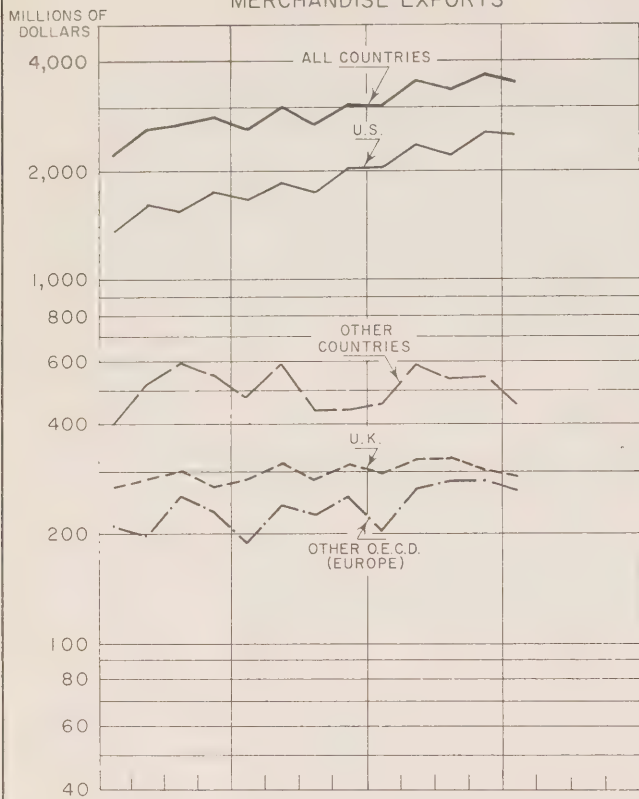
The merchandise trade surplus in the first quarter of 1969 stood at \$214 million, \$17 million less than that in the first quarter of 1968. With some of the forces which pushed demand for Canadian goods last year, such as strikes or anticipation of strikes in some basic industries in the United States, being no longer felt and with the growth in the demand for imports following in the wake of the export surge in 1968, imports rose at a higher rate than exports. Exports increased by over 15 per cent to \$3,488 million but imports rose by over 17 per cent to \$3,274 million. The year-over-year relative increase in exports was about the same as that in the first quarter of 1968, but the rate of increase in imports was much higher than that in the first quarter of 1968.

As usual a number of adjustments to the recorded trade totals were required for balance of payments purposes. Net additions amounting to \$20 million and \$10 million were made to exports and imports respectively mainly reflecting progress payments in excess of current aircraft deliveries; the effect of these adjustments was to increase the merchandise trade surplus by \$10 million.

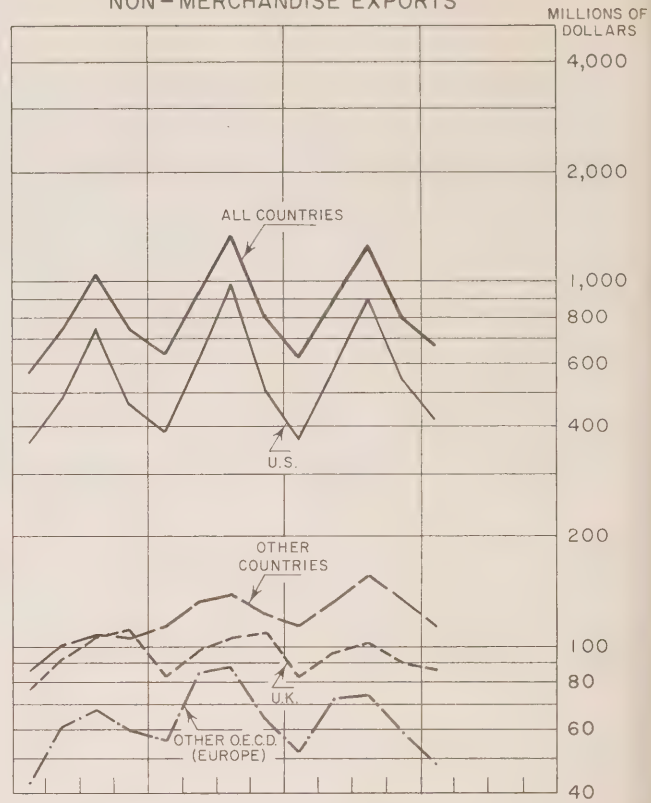
Over one half of the increase of \$469 million in exports in the first quarter of 1969 over the corresponding period in 1968 took place in the end products groups of commodities which increased by over 26 per cent to about \$1,240 million. Within this group of commodities exports of automobiles, other motor vehicles and engines and parts amounting to about \$825 million increased by over \$230 million and accounted for nearly 90 per cent of the group increase and for about 50 per cent of the total increase in exports. Commodities within the fabricated materials group which showed relatively large export increases were lumber, woodpulp, and newsprint which rose by a total of \$150 million; in the

CURRENT ACCOUNT TRANSACTIONS

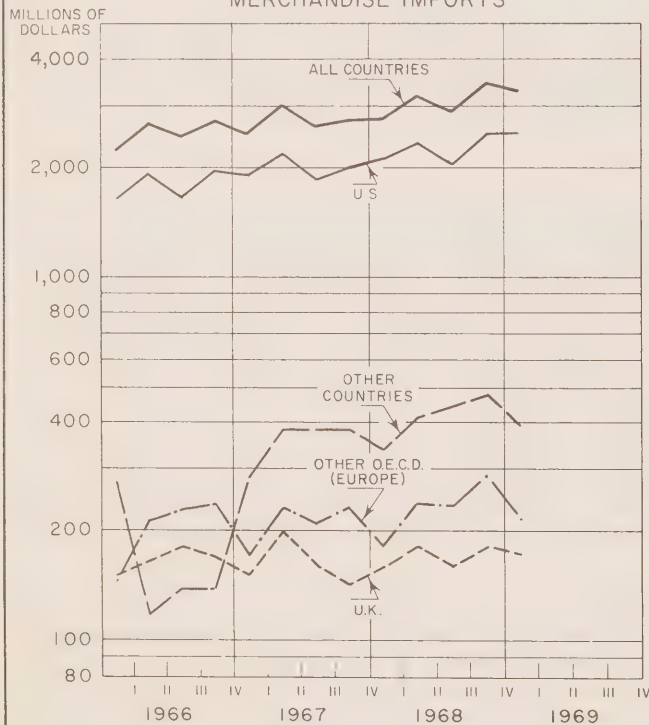
MERCHANDISE EXPORTS



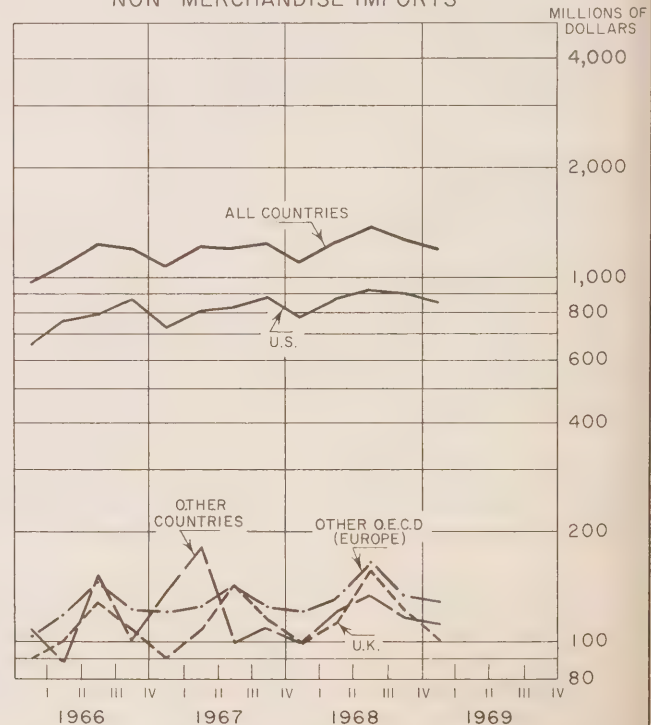
NON-MERCHANDISE EXPORTS



MERCHANDISE IMPORTS



NON-MERCHANDISE IMPORTS



crude materials group, exports of crude petroleum and natural gas increased by over \$17 million and iron ore, nickel and asbestos by about \$30 million. Value of clearances of wheat to overseas markets, which in the first quarter of 1968 was about \$24 million less than in the corresponding 1967 quarter, rose to about \$125 million in the first quarter of 1969 from just over \$120 million in the first quarter of 1968. There were reductions in sales abroad of barley, copper and alloys, agricultural machinery and aircraft engines and parts. Over 90 per cent of the increase in exports went to the United States.

Imports of the end products group of commodities contributed over \$357 million or about 73 per cent to the increase in total merchandise imports. Imports of fabricated materials increased by about \$100 million but imports of crude materials fell marginally by about 4 per cent. At over \$194 million the increase in the reported value of imports of motor vehicle engines and parts accounted for about 40 per cent of the total rise in imports. Other important increases in imports took place in iron, steel, aluminum and copper fabricated materials, machinery and other equipment and tools including measuring and laboratory instruments and electronic computers. There were reduced imports of agricultural machinery, wheel tractors, automobiles and chassis amounting in all to over \$50 million. Imports of sundry metals in ores, concentrates and scrap fell by about \$13 million. As in the case of exports, the greater part of the increase in imports, some \$338 million or about 80 per cent, was attributable to imports from the United States.

Between the first quarter of 1969 and the corresponding period of 1968, average export prices increased by about 4 per cent reflecting in part the increasing cost of labour and financing. Of the major groups of commodities, the fabricated materials group showed the largest increase of about 6 per cent, with the increases in the other major groups ranging between 2 and 3 per cent. Within the fabricated materials group an increase of over 23 per cent was recorded for lumber. Average import prices increased by about 2 per cent over the first quarter of 1968. Prices for the crude materials group increased by over twice this total increase; the prices of the other two major groups namely the fabricated materials and end products moved in line with the general change of import prices.

Non-Merchandise Transactions

In the first quarter of 1969 the deficit on non-merchandise transactions rose by \$46 million or about 10 per cent over the corresponding period last year to \$525 million. The increase of over 7 per cent in total receipts which rose to \$665 million was more than offset by the increase of over 8 per cent in total payments which rose to \$1,190 million. The rise of \$46 million in the deficit was due largely to a climb of \$40 million in the deficit on travel account which amounted to \$170 million.

Total receipts from travel increased by about 14 per cent or \$11 million, but total Canadian travel payments to non-residents increased by about 24 per cent or \$51 million. Expenditures in the United States rose by 27 per cent to \$200 million whilst expenditures overseas increased by over 15 per cent to \$52 million. The number of overseas visitors to Canada increased by 25 per cent to 40,000. The ratio of the travel deficit to the total deficit on non-merchandise transactions rose from 27 per cent in the first quarter of 1968 to 32 per cent in the first quarter of 1969.

Travel Expenditures

	First three months			Change in 1969
	1967	1968	1969	
	millions of dollars			
United States:				
Receipts ...	71	68	80	+ 12
Payments ...	141	157	200	+ 43
Balance	- 70	- 89	- 120	- 31
Overseas:				
Receipts ...	11	11	10	- 1
Payments ...	54	52	60	+ 7
Balance	- 43	- 41	- 50	- 8
All countries:				
Receipts ...	82	79	90	+ 11
Payments ...	195	209	260	+ 51
Balance	- 113	- 130	- 170	- 40

Accompanying the changes which have been taking place in merchandise transactions, freight and shipping payments rose by about 7 per cent to \$214 million while receipts increased by 5 per cent to \$209 million. The first quarter deficit on this account rose to \$5 million. Gold production available for export was lower by \$2 million than in the corresponding period last year.

The net balance from receipts and payments of interest and dividends remained almost stable, registering a very slight decline of \$1 million from \$224 million in the first quarter of 1968 to \$223 million in the same quarter of 1969. However, both payments and receipts were higher, the former rising from \$292 million to \$307 million and the latter from \$68 million to \$84 million. On the payments side, increased interest disbursements of \$20 million to \$142 million were partially offset by a \$5 million decline in dividend payments to \$165 million.

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1967	1,190	471	719
1968	1,310	549	761
1967 I Q ...	249	105	144
II Q ...	272	130	142
III Q ...	270	106	164
IV Q ...	399	130	269
1968 I Q ...	292	122	170
II Q ...	315	144	171
III Q ...	298	123	175
IV Q ...	405	160	245
1969 I Q ...	307	142	165

Increased interest costs were due mainly to new Canadian bond issues in 1968, particularly those in the United States of provincial governments and corporations and in Europe of provincial governments. Smaller payments by Canadian subsidiaries to parent companies in the United States were chiefly responsible for the decrease in dividend outflows. An important element in interest receipts has been the net income on official holdings of foreign exchange. Dividend receipts on direct investments abroad showed a decline which was partially offset by increased receipts on portfolio investments. The net payments of interest and dividends accounted for about 43 per cent of the deficit on non-merchandise transactions, or about 4 percentage points less than the corresponding proportion for 1968.

Despite a decline of about 15 per cent in numbers, receipts from immigrants increased by about 9 per cent due to higher per capita funds brought in by immigrants from the United States and from the Rest of the Sterling Area.

Balances on Principal Non-merchandise Transactions

	First three months			Change in 1969
	1967	1968	1969	
millions of dollars				
Gold production available for export	+ 32	+ 29	+ 27	- 2
Travel expenditures	- 127	- 130	- 170	- 40
Interest and dividends	- 179	- 224	- 223	+ 1
Freight and shipping	- 6	- 1	- 5	- 4
Inheritances and migrants' funds	+ 18	+ 16	+ 21	+ 5
Official contributions	- 118	- 14	- 16	- 2
All other current transactions	- 52	- 155	- 159	- 4
Balance on non-merchandise transactions	- 432	- 479	- 525	- 46

Current Transactions in the First Quarter-Seasonally Adjusted

In the first quarter of 1969 the current account deficit, seasonally adjusted at quarterly rates, rose to \$156 million from a deficit of \$88 million in the fourth quarter of 1968. This was the highest quarterly deficit in the last six quarters. The widening of the current account deficit was due to a decline of \$54 million or about 20 per cent in the merchandise trade surplus to \$232 million and a smaller increase of \$14 million in the non-merchandise trade deficit which rose by about 4 per cent to \$388 million.

After removal of seasonal variations total exports of goods and services increased by almost 5 per cent while total imports of goods and services increased by over 6 per cent from the last quarter of 1968. On the receipts side, while merchandise exports rose by \$188 million or by over 5 per cent to \$3,766 million, there was only a smaller advance of about 3 per cent or \$25 million in the non-merchandise receipts to \$901 million. There was an expansion of over 7 per cent in the merchandise imports to \$3,534 million over the fourth quarter of 1968, seasonally adjusted at quarterly rates. Thus the higher rate of increase in imports which appeared in the fourth quarter of 1968 has been more or less maintained. On the non-merchandise payments side, total payments rose by \$39 million to just over 3 per cent above the fourth quarter 1968.

Balances on Current Transactions,
Seasonally Adjusted

	Merchandise balance	Balance on non- merchandise transactions	Current account balance (1)
	millions of dollars		
1967			
I Q	+ 172	- 306	- 134
II Q	+ 79	- 265	- 186
III Q	- 63	- 122	- 185
IV Q	+ 293	- 331	- 38
Year	+ 481	- 1,024	- 543
1968			
I Q	+ 274	- 366	- 92
II Q	+ 418	- 333	+ 85
III Q	+ 317	- 381	- 64
IV Q	+ 286	- 374	- 88
Year	+ 1,295	- 1,454	- 159
1969			
I Q	+ 232	- 388	- 156

(1) Omission of inheritances and migrants' funds yields exports and imports of goods and services as published in the National Accounts (seasonally adjusted at annual rates).

Note: Details of current account items, seasonally adjusted, may be found on page 17.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1967	- 582	- 520	+ 53	- 330	- 1,379
1968	- 460	- 284	+ 133	- 324	- 935
1969	- 451				
United Kingdom:					
1967	+ 125	+ 108	+ 88	+ 163	+ 484
1968	+ 118	+ 122	+ 108	+ 91	+ 439
1969	+ 103				
Other countries:					
1967	+ 123	+ 132	+ 61	+ 36	+ 352
1968	+ 94	+ 163	+ 73	+ 7	+ 337
1969	+ 37				
All countries:					
1967	- 334	- 280	+ 202	- 131	- 543
1968	- 248	+ 1	+ 314	- 226	- 159
1969	- 311				

Seasonally adjusted at annual rates, merchandise exports, during the first quarter amounted to \$15,064 million representing an increase of more than 10 per cent over the 1968 annual total of \$13,597 million, as against an increase of over 19 per cent between 1968 and 1967. On the other hand, merchandise imports, also seasonally adjusted at annual rates, rose by about 15 per cent to \$14,136 million over the 1968 merchandise imports total, as against an increase of about 13 per cent from 1967 to 1968, to yield a merchandise trade surplus of \$928 million, that is about 28 per cent below the 1968 trade surplus. The deficit on non-merchandise transactions, seasonally adjusted at annual rates, amounted to \$1,552 million representing an increase of about 7 per cent over the 1968 deficit. On this basis the current account deficit for the first quarter of 1969, seasonally adjusted at annual rates, was \$624 million, equivalent to about 4 times the deficit for the year 1968.

Transactions by Areas

In the first quarter of 1969 total receipts from the United States rose by 19 per cent to \$2,897 million and total payments increased by 16 per cent to \$3,348 million. The current account deficit with the United States thus fell by 2 per cent to \$451 million. The merchandise trade deficit of \$20 million with the United States was \$35 million lower than in the first quarter of 1968. Exports to the United States broadly maintained the rate of increase of the previous year as the United States economy continued to expand at a substantial pace despite the imposition of deflationary fiscal and monetary policies. Exports to the United States increased by over 20 per cent to \$2,478 million whilst imports from the United States increased by 18 per cent to \$2,498 million. The increase of \$423 million in exports to the United States accounted for over 90 per cent of the total increase in exports, whilst the increase of \$388 million in imports from the United States accounted for about 80 per cent of the total increase in imports in the first quarter of 1969 over the corresponding period in 1968. The share of the United States in Canadian foreign trade increased by over 3 per cent to 71 per cent in the case of exports but remained unchanged at 76 per cent on imports. About 60 per cent of the increase in exports was contributed by exports of motor vehicles and parts which rose by about \$250 million or 47 per cent. Over 40 per cent of the increase in imports from the United States was due to increased imports of parts and accessories for motor vehicles which rose to about \$430 million from about \$260 million in the first quarter of 1968.

On non-merchandise transactions the deficit with the United States rose by \$26 million to \$431 million. As already indicated, the bulk of the increased deficit on non-merchandise

transactions was due to the travel account where the deficit rose by \$31 million to \$120 million. This development resulted from an increase of about \$12 million or 18 per cent in receipts by Canadian residents from United States travellers which was more than offset by an increase of \$43 million or 27 per cent in expenditures by Canadian travellers to United States residents. There was another relatively important increase of \$12 million or 11 per cent in the deficit on all other transactions, mainly business services. Partly offsetting the increased deficits there was a reduction of \$16 million in the net interest and dividends payable to United States residents. Payments of interest and dividends increased by \$5 million but receipts increased by \$21 million leading to a deficit on this account of \$192 million, about 8 per cent less than that in the same quarter last year. In addition a decrease took place in the deficit on the inheritances and migrants' funds account.

Canada's Bilateral Accounts with the United States and the Rest of the World

	1967	1968	1968				1969
			I Q	II Q	III Q	IV Q	I Q
			millions of dollars				
Transactions with the United States:(1)							
Current account balance	- 1,491	- 1,069	- 489	- 317	+ 93	- 356	- 478
Capital movements in long-term forms	+ 1,227	+ 1,064	+ 87	+ 367	+ 285	+ 325	+ 378
Capital movements in short-term forms	- 891	- 1,152	- 451	- 216	- 747	+ 262	- 308
Totals	- 1,155	- 1,157	- 853	- 166	- 369	+ 231	- 408
Transactions with the rest of the world:							
Current account balance	+ 836	+ 776	+ 212	+ 285	+ 181	+ 98	+ 140
Capital movements in long-term forms	+ 112	+ 480	+ 25	+ 354	+ 107	- 6	+ 185
Capital movements in short-term forms	+ 113	+ 120	- 178	+ 114	+ 202	- 18	+ 19
Totals	+ 1,061	+ 1,376	+ 59	+ 753	+ 490	+ 74	+ 344
Gold production available for export	+ 112	+ 134	+ 29	+ 33	+ 40	+ 32	+ 27
Official monetary movements(2)	+ 18	+ 353	- 765	+ 620	+ 161	+ 337	- 37

(1) Excluding gold production available for export shown separately below.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

If the credit representing new gold production available for export is excluded, Canada's current account deficit with the United States in the first quarter of 1969 was \$478 million. Capital flows between the two countries produced a net influx of \$70 million as long-term movements led to a net inflow of \$378 million while volatile short-term capital swung to an outflow of \$308 million. In sum, these transactions with the United States gave rise to net payments by Canada of \$408 million.

Total receipts from the United Kingdom declined marginally by \$2 million to \$375 million and total payments to United Kingdom residents increased by \$13 million or 5 per cent to \$272 million over the first quarter in 1968. Exports declined slightly by about 2 per cent to \$289 million but imports rose by about 8 per cent to \$172 million. Thus the merchandise trade surplus with the United Kingdom fell by over 13 per cent to \$117 million in the quarter under review. This change in part probably reflects measures taken by the United Kingdom government to improve its balance of payments position. The United Kingdom share of total Canadian trade has declined by about 13 per cent between the first quarter of 1969 and the same quarter of 1968. Increases in exports amounting in total to about \$17 million have been recorded for newsprint, woodpulp, nickel ores and alloys and iron ore; these increase

were more than offset by decreases in wheat, lumber, copper and nickel manufactures, aluminum fabricated materials and radioactive ores and concentrates. The increase in imports was mainly concentrated in the end products groups of commodities which accounted for about two thirds of the total increase in merchandise imports. About another 30 per cent of the increase came from imports of fabricated materials.

On non-merchandise trade both receipts and payments rose slightly, the former to \$86 million and the latter to \$100 million. The deficit fell by \$3 million to \$14 million.

The current account surplus with all the other countries including the Rest of the Sterling Area and other OECD countries in Europe moved from \$94 million in the first quarter of 1968 to \$37 million in the first quarter of 1969, primarily due to a reduction by \$58 million or by over 50 per cent in the surplus with Other Countries (excluding the Rest of the Sterling Area and OECD in Europe). Exports to the other countries fell by 5 per cent and imports rose by over 13 per cent to \$314 million and \$296 million respectively. On non-merchandise trade the travel and interest and dividends accounts produced a total rise of \$7 million in the combined deficits.

There were reductions in exports of motor vehicles, engines and parts to Venezuela, and of wheat to the U.S.S.R., Cuba and Japan. Exports of newsprint, copper, and aluminum fabricated materials to Japan, and aircraft to Brazil increased.

The current account surplus with the Rest of the Sterling Area also decreased by about 22 per cent to \$53 million. This was due to reductions of \$10 million and \$5 million respectively in the merchandise trade and non-merchandise balance. Imports from these countries rose at nearly four times the rate of increase of exports namely by about 24 per cent and 6 per cent respectively. On non-merchandise transactions the increase in receipts of immigrants was more than offset by enlarged deficits on travel and interest and dividends accounts and by an increase in official contributions. Total receipts from this group of countries rose by \$11 million to \$191 million but payments increased by \$26 million to \$138 million.

Total receipts from the other OECD (Europe) group of countries increased by over 22 per cent to \$313 million; total payments rose by about 14 per cent to \$342 million. The deficit with these countries was reduced by over 35 per cent to \$29 million; this change was brought about mainly by the increased merchandise trade surplus which was more than double the 1968 first quarter surplus of \$24 million. The increase in the merchandise trade surplus was however partly offset by an increase of \$12 million in the non-merchandise deficit which amounted to \$81 million in the first quarter of 1969.

There were increased exports to France, West Germany, the Netherlands, and Norway. Imports from France, West Germany, Italy, the Netherlands, Spain and Sweden increased. The increase in the deficit on interest and dividends together with the smaller increases in the deficits on travel and on freight and shipping accounted for the whole of the increase in the deficit on non-merchandise transactions, as the lower net receipts from immigrants, were exactly offset by reduced government expenditures.

Total current and capital account receipts by Canada from transactions with the United Kingdom and other overseas countries were at the relatively high level of \$344 million. The largest contribution to this total came from long-term capital inflows of \$185 million, principally to purchase new Canadian bond issues, while a current account surplus and short-term capital inflows accounted for \$140 million and \$19 million, respectively.

The \$64 million difference between the net payments to the United States and the smaller net receipts from overseas countries together with the \$27 million of gold production available for export are both reflected in the \$37 million fall in official holdings of monetary gold, foreign exchange and IMF balance.

Capital Movements

Summary

Item	1967	1968	1968				1969
			I Q	II Q	III Q	IV Q	I Q
millions of dollars							
Capital movements in long-term forms	+ 1,339	+ 1,544	+ 112	+ 721	+ 392	+ 319	+ 563
Capital movements in short-term forms	- 778	- 1,032	- 629	- 102	- 545	+ 244	- 289
Balance on goods and services	- 543	- 159	- 248	+ 1	+ 314	- 226	- 311
Official monetary movements(1)	+ 18	+ 353	- 765	+ 620	+ 161	+ 337	- 37

(1) Change in holdings of monetary gold, foreign exchange, and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

Capital movements in the first quarter of 1969 led on balance to a net capital inflow of \$274 million, a drop of \$289 million from the influx of the previous quarter. Capital inflows in long-term forms rose \$244 million while there was a swing of \$533 million in short-term movements to an outflow of \$289 million. Current account transactions, heavily influenced by seasonal factors, recorded a deficit of \$311 million so that the balance of current and capital account transactions produced a decline of \$37 million in official monetary assets.

Sales abroad of new Canadian issues at \$649 million rose by over \$300 million from the fourth quarter 1968 level and overshadowed other movements in the long-term accounts although the flow of capital from abroad for direct investment in Canada, while down from the fourth quarter 1968 level, continued to be significant. The main outflows arose from the retirements of corporate long-term miscellaneous and funded debt, Canadian net purchases of foreign securities and Canadian direct investment abroad. Sales of new issues of Canadian securities are taken into the balance of payments at the time of delivery. In contrast to the previous quarter deliveries were somewhat below offerings. The effect of adjusting actual long-term capital inflows to reflect the timing of security offerings is shown in the accompanying statement.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1967	+ 1,339	+ 1,587
1968	+ 1,544	+ 2,097
1967 I Q	+ 277	+ 330
II Q	+ 256	+ 360
III Q	+ 301	+ 460
IV Q	+ 505	+ 437
1968 I Q	+ 112	+ 178
II Q	+ 721	+ 639
III Q	+ 392	+ 402
IV Q	+ 319	+ 878
1969 I Q	+ 563	+ 540

Capital movements in short-term forms led to a net outflow of \$289 million. The principal net outflow was recorded in the "all other transactions" category which includes changes in loans and accounts receivable and payable as well as the balancing item. A significant inflow was occasioned by increased non-resident holdings of Canadian finance company paper.

The net spot holdings of foreign currency assets (excluding gold) of the Canadian chartered banks vis-à-vis non-residents rose on a transaction basis by \$63 million in the quarter while those with Canadians declined by \$226 million to produce an overall decrease of \$163 million. Claims on residents of the United States and overseas countries rose by \$247 million and \$464 million respectively while liabilities to these areas increased by \$170 million and \$478 million respectively. Foreign currency claims on Canadians were reduced by \$61 million while liabilities rose by \$165 million. Thus the net decrease of \$163 million in foreign currency assets reflects

a rise in net assets of \$77 million with residents of the United States and declines of \$14 million and \$226 million with residents of overseas countries and Canada, respectively. These figures cannot be identified separately in the balance of payments presentation in this report but form elements of several of the items.

Direct Investment

The net capital inflow in long-term forms for direct investment in foreign-controlled enterprises at \$130 million in the quarter under review was down \$55 million from the previous quarter. Disinvestment by overseas countries roughly offset inflows from them for new investment so that the total flow reflected net inflows from the United States of the same magnitude. The bulk of this flow was directed to the manufacturing, petroleum and mining industries. Over forty per cent of the total influx represented purchases of already existing assets rather than new capital formation.

Canadian direct investment abroad in the first quarter recorded a relatively high outflow of \$50 million. Geographically, some two-fifths went to the United States and the rest largely to overseas countries other than the United Kingdom. Manufacturing industries abroad received most of the outflow.

Security Transactions

Transactions in portfolio securities between Canada and other countries during the first quarter of 1969 produced a record high inflow of \$577 million compared with a \$178 million inflow for the fourth quarter of 1968 and the previous high of \$487 million recorded in the second quarter of 1968. Net sales of Canadian issues moved up sharply to a record \$634 million from the \$296 million recorded in the previous quarter while net purchases of foreign securities continued to decline, falling to \$57 million versus \$118 million in the previous quarter.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1968				1969
	1967	1968	I Q	II Q	III Q	IV Q	I Q
millions of dollars							
Canadian securities:							
Outstanding - Bonds	- 56	- 70	- 53	- 11	- 13	+ 7	+ 17
Stocks	+ 12	+ 112	+ 15	+ 34	+ 10	+ 53	+ 37
New issues	+ 1,300	+ 1,961	+ 416	+ 712	+ 488	+ 345	+ 649
Retirements	- 338	- 395	- 126	- 121	- 39	- 109	- 69
Foreign securities:							
Outstanding issues	- 367	- 420	- 73	- 124	- 120	- 103	- 49
New issues	- 66	- 70	- 23	- 10	- 14	- 23	- 10
Retirements	+ 15	+ 26	+ 9	+ 7	+ 2	+ 8	+ 2
Totals, all countries ..	+ 500	+ 1,144	+ 165	+ 487	+ 314	+ 178	+ 577
United States	+ 578	+ 677	+ 143	+ 235	+ 147	+ 152	+ 338
United Kingdom	- 61	- 7	+ 11	- 12	+ 2	- 8	+ 17
Other countries	- 17	+ 474	+ 11	+ 264	+ 165	+ 34	+ 222

The value of new Canadian issues delivered during the quarter at \$649 million was second only to the \$712 million inflow of the second quarter of 1968, which, it may be recalled, included the special Government of Canada placements abroad. International floatation of new issues of provincial and provincial guaranteed bonds provided financing at a record high level of \$330 million during the quarter under review. New corporate bond issues moved up to near record levels at \$175 million. Geographically over two thirds of the proceeds of new bond issues came from the United States and slightly over one-quarter from Continental Europe with the trend toward increased placement of Canadian issues in this latter area continuing in the period under review. New issues of Canadian common

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
millions of dollars			
1967	1,448	1,200	370
1968	1,902	1,349	923
1967 I Q	348	295	175
II Q	378	274	279
III Q	418	259	438
IV Q	304	372	370
1968 I Q	406	340	436
II Q	350	432	354
III Q	289	279	364
IV Q	857	298	923
1969 I Q	364	387	900

(1) At end of period.

and preference shares were substantial at \$84 million, exceeding the total for the entire year in 1968. About 85 per cent of the quarterly total was concentrated in three petroleum and natural gas issues. Trading in outstanding Canadian securities again produced a net sales balance during the quarter to about \$54 million compared with \$60 million in the fourth quarter of 1968. Geographically there was a \$1 million net outflow to the United States and inflows of \$12 million and \$43 million from the United Kingdom and other foreign countries respectively. Retirements of Canadian securities dropped by \$40 million from \$109 million to \$69 million. Reductions in retirements of Government of Canada issues and of corporate bond issues accounted for the bulk of this decrease. The net capital outflow from transactions in foreign securities at \$57 million in the first quarter fell \$61 million from the fourth quarter 1968 level. Some \$54 million of this change was due to a drop in the net purchases of outstanding foreign securities from \$103 million to \$49 million, mainly United States equities.

Other Capital Flows in Long-term Forms

Disbursements by the Canadian government under intergovernmental loan programmes totalled \$11 million in the first quarter of 1969 - all under the development loan programme. As in the preceding quarter there were no repayments of the principal on earlier loans. There were also no further subscriptions to international institutions.

Detail of Long-term Capital Transactions n.i.e.
Item D13

Year and quarter	Export credits(1)						Sub- total	Other trans- actions	Total
	Wheat			Other commodities					
	Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net			
millions of dollars									
1967	- 91	+ 219	+ 128	- 59	+ 39	- 20	+ 108	+ 161	+ 269
1968	- 144	+ 211	+ 67	- 89	+ 45	- 44	+ 23	- 53	- 30
1967 I Q	- 27	+ 46	+ 19	- 12	+ 10	- 2	+ 17	+ 22	+ 39
II Q	- 39	+ 95	+ 56	- 14	+ 8	- 6	+ 50	- 1	+ 49
III Q	- 24	+ 42	+ 18	- 10	+ 11	+ 1	+ 19	+ 68	+ 87
IV Q	- 1	+ 36	+ 35	- 23	+ 10	- 13	+ 22	+ 72	+ 94
1968 I Q	- 25	+ 76	+ 51	- 19	+ 12	- 7	+ 44	- 14	+ 30
II Q	- 45	+ 57	+ 12	- 14	+ 10	- 4	+ 8	+ 17	+ 25
III Q	- 46	+ 48	+ 2	- 25	+ 14	- 11	- 9	- 68	- 77
IV Q	- 28	+ 30	+ 2	- 31	+ 9	- 22	- 20	+ 12	- 8
1969 I Q	- 25	+ 20	- 5	- 11	+ 12	+ 1	- 4	- 79	- 83

(1) Medium and long-term export credits extended from Canada directly or indirectly at risk of the Government of Canada.

Transactions during the quarter arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government of Canada led to a net capital outflow of \$4 million. This \$16 million reduction in the outflow from the previous quarter is largely due to declining advances for communist purchases of wheat as well as a reduction in advances to Latin America for the purchase of capital equipment.

The remaining capital movements in long-term forms, which include bank and other long-term loans, mortgage investments and movements of insurance funds, led to a net outflow of \$79 million in the first quarter of 1969, involving a swing of \$91 million from the previous quarter inflow of \$12 million.

Capital Movements in Short-term Forms

Capital movements in short-term forms swung to a net outflow of \$289 million in the first quarter from a fourth quarter 1968 inflow of \$244 million. In this period short-term interest rates, as measured by 3 month treasury bill yields, moved up over 30 basis points to 6.56 per cent at the end of the quarter as the bank rate was increased by 1/2 per cent to 7 per cent in early March. The short-term differential between Canada and the United States widened in favour of Canada in the quarter as United States treasury bill yields tended to fall. The forward premium on the Canadian dollar pushed the covered yield differential in March to an extremely high 1.19 per cent in favour of Canada.

Non-resident holdings of Canadian dollars fell by \$1 million in the quarter. This movement comprised decreases of \$11 million and \$2 million in Canadian dollar deposits and Government of Canada demand liabilities respectively which were almost offset by a \$12 million increase in non-resident holdings of treasury bills. The expansion of treasury bill holdings of foreign official institutions and private residents of countries other than the United States and the United Kingdom accounted for most of the change in this account.

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1967	1968	1968				1969
			I Q	II Q	III Q	IV Q	I Q
			millions of dollars				
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 286	- 373	- 125	+ 27	- 149	- 126	+ 12
17.2 Canadian commercial paper, etc.	+ 11	- 11	+ 7	- 17	+ 2	- 3	- 6
17.3 Canadian finance company paper	- 54	- 135	- 60	- 35	- 37	- 3	+ 155
17.4 Canadian finance company obligations, n.i.e.	+ 34	+ 19	- 7	- 6	- 1	+ 33	+ 23
17.5 All other transactions(1)	- 507	- 671	- 471	- 73	- 376	+ 249	- 472
Total (Item D 17)	- 802	- 1,171	- 656	- 104	- 561	+ 150	- 288

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

On balance Canadian holdings of foreign currency bank balances and other short-term funds abroad (excluding official reserves) fell to produce a net inflow of \$12 million in the quarter. Net movements through the Canadian banking system which fall into this account were small in total although Canadian holdings of swapped deposits rose in the quarter by about \$125 million to \$888 million.

For the first time since the fourth quarter of 1967 non-residents' holdings of Canadian finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) increased, rising sharply in the first quarter of 1969 by a record \$155 million as non-residents appeared to take up virtually all the net increase in finance company paper issued in the quarter. Transactions in other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies) led on balance to a further net inflow of \$23 million.

In addition, there were, of course, other finance company transactions not identified separately which have been included with capital movements in long-term forms, notably new issues and retirements of Canadian securities. All in all, the international borrowing of these companies in the first quarter of 1969 resulted in an aggregate net inflow of about \$185 million.

International transactions in Canadian commercial paper (including bankers' acceptances) led to a net outflow of \$1 million while transactions in other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) resulted in a net outflow of \$5 million.

All other transactions led to a net capital outflow of \$472 million. Among identifiable items decreases in intercompany accounts and short-term bank loans led to net capital outflows. On balance, however, the largest part of the overall outflow represents amounts which have yet to be identified.

Official Holdings of Monetary Gold and Foreign Exchange.

On March 31, 1969 Canada's official holdings of gold and United States dollars were US \$2,779 million, a decline of US \$48 million during the quarter most and of which occurred in March. Canada's net balance with the International Monetary Fund increased by US \$15 million from the fourth quarter 1968 figure of US \$206 million to the March total of US \$221 million. This reflected two sales of Canadian dollars by the IMF of US \$6 million and US \$9 million.

The quarterly change expressed in Canadian dollars showed a drop in official holdings of monetary gold and foreign exchange (including working balances of sterling) of \$53 million. The increase in the IMF balance amounted to \$16 million. In total these transactions reflect a \$37 million decrease in Canada's official net monetary assets.

The Canadian dollar showed unusual strength during January but declined slightly towards the end of the quarter and throughout the period traded above its official par value in terms of the United States dollar.

The following statement provides data on foreign exchange rates and certain reserve items:

Period	United States Dollar in Canada				Official holdings of monetary gold and United States dollars	Net balance with Inter-national Monetary Fund	Reciprocal swap facility with Federal Reserve System	
	High	Low	Close	Noon average				
Canadian cents				millions of United States dollars at end of period				
1968	I Q	109.00	108.09	108.28	108.56	2,244	-	- 250
	II Q	108.25	107.50	107.59	107.83	2,574	121	- 125
	III Q	107.59	107.25	107.25	107.31	2,534	186	-
	IV Q	107.38	107.25	107.28	107.29	2,827	206	-
1969	I Q	107.84	107.25	107.66	107.46	2,779	221	-
January		107.31	107.25	107.25	107.27	2,865	212	-
February		107.72	107.25	107.59	107.44	2,820	212	-
March		107.84	107.47	107.66	107.67	2,779	221	-

Note: The total of exchange holdings does not include holdings of the Government of Canada at March 31, 1969 of \$84 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions			Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)	Total assets	Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Other transact- ions	Total liabi- lities	
	millions of United States dollars								
1947-1966	740.0	50.0	790.0	605.0	54.3	- 379.3	61.5(2)	341.5	448.5
1967		- 15.0	775.0	- 15.0		15.1		341.6	433.4
1968		- 35.0	740.0	- 35.0	361.2	- 131.2	- 2.8(3)	533.8	206.2
1968 I Q		- 35.0	740.0	- 35.0	426.0	7.3		739.9	0.1
II Q			740.0			- 121.0		618.9	121.1
III Q			740.0		- 64.8			554.1	185.9
IV Q			740.0			- 17.5	- 2.8(3)	533.8	206.2
1969 I Q			740.0			- 15.0		518.8	221.2

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow(GAB). The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

(2) Sales of Canadian dollars to IMF for gold.

(3) Dividend payment to Canada.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

Revisions

Revised 1966 data for capital account items from D9 to D17 are not yet available.

Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries, First Quarter 1968 and 1969 and Changes Between the Periods

First quarter	1968	1969	Change	1968	1969	Change
millions of dollars						
	All Countries			United States		
Merchandise exports (adjusted)	3,019	3,488	+ 469	2,055	2,478	+ 423
Merchandise imports (adjusted)	2,788	3,274	+ 486	2,110	2,498	+ 388
Balance on merchandise trade	+ 231	+ 214	- 17	- 55	- 20	+ 35
Other current receipts	620	665	+ 45	373	419	+ 46
Other current payments	1,099	1,190	+ 91	778	850	+ 72
Balance on non-merchandise transactions ...	- 479	- 525	- 46	- 405	- 431	- 26
Total receipts	3,639	4,153	+ 514	2,428	2,897	+ 469
Total payments	3,887	4,464	+ 577	2,888	3,348	+ 460
Current account balance	- 248	- 311	- 63	- 460	- 451	+ 9
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted)	295	289	- 6	134	142	+ 8
Merchandise imports (adjusted)	160	172	+ 12	77	95	+ 18
Balance on merchandise trade	+ 135	+ 117	- 18	+ 57	+ 47	- 10
Other current receipts	82	86	+ 4	46	49	+ 3
Other current payments	99	100	+ 1	35	43	+ 8
Balance on non-merchandise transactions ...	- 17	- 14	+ 3	+ 11	+ 6	- 5
Total receipts	377	375	- 2	180	191	+ 11
Total payments	259	272	+ 13	112	138	+ 26
Current account balance	+ 118	+ 103	- 15	+ 68	+ 53	- 15
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted)	204	265	+ 61	331	314	- 17
Merchandise imports (adjusted)	180	213	+ 33	261	296	+ 35
Balance on merchandise trade	+ 24	+ 52	+ 28	+ 70	+ 18	- 52
Other current receipts	52	48	- 4	67	63	- 4
Other current payments	121	129	+ 8	66	68	+ 2
Balance on non-merchandise transactions ...	- 69	- 81	- 12	+ 1	- 5	- 6
Total receipts	256	313	+ 57	398	377	- 21
Total payments	301	342	+ 41	327	364	+ 37
Current account balance	- 45	- 29	+ 16	+ 71	+ 13	- 58

Note: Omission of items A7 and B7 for inheritances and migrants' funds in the main balance of payments table at the back of this report yields exports and imports of goods and services as published in the National Accounts.

Exports and Imports of Goods and Services, Seasonally adjusted, 1968-69

	1968					1969
	I Q	II Q	III Q	IV Q	Year	I Q
millions of dollars						
<u>Receipts</u>						
Merchandise exports (adjusted)	3,287	3,373	3,359	3,578	13,597	3,766
Gold production available for export	29	34	39	32	134	27
Travel expenditures	236	266	254	236	992	268
Interest and dividends	75	90	95	79	339	94
Freight and shipping	229	232	227	231	919	238
Inheritances and migrants' funds	76	92	106	97	371	83
All other transactions	184	194	197	201	776	191
Sub-totals, non-merchandise transactions ...	829	908	918	876	3,531	901
Totals	4,116	4,281	4,277	4,454	17,128	4,667
<u>Payments</u>						
Merchandise imports (adjusted)	3,013	2,955	3,042	3,292	12,302	3,534
Gold production available for export	-	-	-	-	-	-
Travel expenditures	236	232	279	253	1,000	285
Interest and dividends	313	342	346	309	1,310	330
Freight and shipping	238	234	230	239	941	252
Inheritances and migrants' funds	51	53	58	58	220	52
All other transactions (including official contributions)	357	380	386	391	1,514	370
Sub-totals, non-merchandise transactions ...	1,195	1,241	1,299	1,250	4,985	1,289
Totals	4,208	4,196	4,341	4,542	17,287	4,823
<u>Balance</u>						
Merchandise trade (adjusted)	+ 274	+ 418	+ 317	+ 286	+ 1,295	+ 232
Gold production available for export	+ 29	+ 34	+ 39	+ 32	+ 134	+ 27
Travel expenditures	-	+ 34	- 25	- 17	- 8	- 17
Interest and dividends	- 238	- 252	- 251	- 230	- 971	- 236
Freight and shipping	- 9	- 2	- 3	- 8	- 22	- 14
Inheritances and migrants' funds	+ 25	+ 39	+ 48	+ 39	+ 151	+ 31
All other transactions (including official contributions)	- 173	- 186	- 189	- 190	- 738	- 179
Sub-totals, non-merchandise transactions ...	- 366	- 333	- 381	- 374	- 1,454	- 388
Current account balances	- 92	+ 85	- 64	- 88	- 159	- 156

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are subject to revision.

No.		1967			
		I	II	III	IV
		millions of dollars			
A	Current receipts:				
1	Merchandise exports (adjusted)	2,609	3,018	2,703	3,057
3	Gold production available for export	32	28	26	26
4	Travel expenditures	82	346	708	168
5	Interest and dividends	70	53	61	110
6	Freight and shipping	181	216	222	226
7	Inheritances and immigrants' funds	60	96	106	75
11	All other current receipts	214	193	202	197
12	Total current receipts	3,248	3,950	4,028	3,859
B	Current payments:				
1	Merchandise imports (adjusted)	2,511	3,012	2,617	2,766
4	Travel expenditures	209	230	278	160
5	Interest and dividends	249	272	270	399
6	Freight and shipping	187	232	233	232
7	Inheritances and emigrants' funds	42	47	65	59
9	Official contributions	52	80	20	29
11	All other current payments	332	357	343	345
12	Total current payments	3,582	4,230	3,826	3,990
C	Current account balance:				
1	Merchandise trade	+ 98	+ 6	+ 86	+ 291
2	Other transactions, excluding B 9	- 380	- 206	+ 136	- 393
3	Official contributions	- 52	- 80	- 20	- 29
4	Total	- 334	- 280	+ 202	- 131
D	Capital account:				
	Direct investment:				
1	Direct investment in Canada	+ 138	+ 164	+ 143	+ 175
2	Direct investment abroad	- 30	- 7	- 25	- 28
	Canadian securities:				
3.1	Trade in outstanding bonds and debentures	- 10	- 22	- 10	- 14
3.2	Trade in outstanding common and preference stocks	- 53	- 17	+ 30	+ 52
4	New issues	+ 317	+ 291	+ 274	+ 418
5	Retirements	- 58	- 131	- 48	- 101
6,7,8	Foreign securities	- 74	- 70	- 142	- 132
	Loans and capital subscriptions by Government of Canada:				
9	Advances, etc.	- 3	- 3	- 9	- 23
10	Repayments to Canada	+ 11	+ 2	+ 1	+ 20
11	Columbia River Treaty, net	-	-	-	+ 44
13	Long-term capital transactions n.i.e.	+ 39	+ 49	+ 87	+ 94
	Change in Canadian dollar holdings of foreigners:				
14.1	Deposits	+ 48	- 59	+ 7	+ 28
14.2	Government of Canada demand liabilities	- 6	- 7	- 2	+ 11
14.3	Canadian treasury bills	+ 15	+ 8	- 17	- 2
17	Other capital movements	- 13	+ 28	- 435	- 382
E	Net capital movement (excluding monetary items shown below) in:				
1	Long-term forms (D1 to D13)	+ 277	+ 256	+ 301	+ 505
2	Short-term forms (D14 to D17)	+ 44	- 30	- 447	- 345
3	Total	+ 321	+ 226	- 146	+ 160
H = C+E	Official monetary movements in the form of:				
1	Change in official holdings of gold and foreign exchange	- 35	- 37	+ 55	+ 51
2	Change in net International Monetary Fund position	+ 22	- 17	+ 1	- 22
3	Reciprocal swap facility with Federal Reserve System	-	-	-	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are subject to revision.

1968				1969	Annual totals		Four quarters ended March 31, 1969	No.
I	II	III	IV	I	1967	1968		
millions of dollars								
3,019	3,541	3,351	3,686	3,488	11,387	13,597	14,066	A
29	33	40	32	27	112	134	132	1
79	235	548	130	90	1,304	992	1,003	3
68	80	79	112	84	294	339	355	4
200	236	238	245	209	845	919	928	5
57	102	128	84	62	337	371	376	6
187	193	196	200	193	806	776	782	7
3,639	4,420	4,580	4,489	4,153	15,085	17,128	17,642	11
								12
2,788	3,186	2,884	3,444	3,274	10,906	12,302	12,788	B
209	243	375	173	260	877	1,000	1,051	1
292	315	298	405	307	1,190	1,310	1,325	4
201	244	245	251	214	884	941	954	5
41	48	70	61	41	213	220	220	6
14	39	51	29	16	181	133	135	7
342	344	343	352	352	1,377	1,381	1,391	9
3,887	4,419	4,266	4,715	4,464	15,628	17,287	17,864	11
								12
+ 231	+ 355	+ 467	+ 242	+ 214	+ 481	+ 1,295	+ 1,278	C
- 465	- 315	- 102	- 439	- 509	- 843	- 1,321	- 1,365	1
- 14	- 39	- 51	- 29	- 16	- 181	- 133	- 135	2
- 248	+ 1	+ 314	- 226	- 311	- 543	- 159	- 222	3
								4
+ 10	+ 205	+ 185	+ 185	+ 130	+ 620	+ 585	+ 705	D
- 85	+ 10	- 15	- 80	- 50	- 90	- 170	- 135	1
- 53	- 11	- 13	+ 7	+ 17	- 56	- 70	-	2
+ 15	+ 34	+ 10	+ 53	+ 37	+ 12	+ 112	+ 134	3.1
+ 416	+ 712	+ 488	+ 345	+ 649	+ 1,300	+ 1,961	+ 2,194	3.2
- 126	- 121	- 39	- 109	- 69	- 338	- 395	- 338	4
- 87	- 127	- 132	- 118	- 57	- 418	- 464	- 434	5
- 10	- 8	- 16	- 44	- 11	- 38	- 78	- 79	6,7,8
+ 2	+ 2	+ 1	-	-	+ 34	+ 5	+ 3	9
-	-	-	+ 88	-	+ 44	+ 88	+ 88	10
+ 30	+ 25	- 77	- 8	- 83	+ 269	- 30	- 143	11
+ 8	+ 4	+ 4	+ 54	- 11	+ 24	+ 70	+ 51	13
- 4	- 3	+ 1	+ 27	- 2	- 4	+ 21	+ 23	14.1
+ 23	+ 1	+ 11	+ 13	+ 12	+ 4	+ 48	+ 37	14.2
- 656	- 104	- 561	+ 150	- 288	- 802	- 1,171	- 803	14.3
								17
+ 112	+ 721	+ 392	+ 319	+ 563	+ 1,339	+ 1,544	+ 1,995	E
- 629	- 102	- 545	+ 244	- 289	- 778	- 1,032	- 692	1
- 517	+ 619	- 153	+ 563	+ 274	+ 561	+ 512	+ 1,303	2
								3
- 23	+ 355	- 43	+ 315	- 53	+ 34	+ 604	+ 574	H = C+E
- 471	+ 130	+ 70	+ 22	+ 16	- 16	- 249	+ 238	1
- 271	+ 135	+ 134	-	-	-	- 2	+ 269	2
								3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

CATALOGUE No.

67-001

QUARTERLY

Government
Publications



SYSTEM OF NATIONAL ACCOUNTS

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1969

Contains annual bilateral estimates with
major areas and quarterly estimates with
the United States for 1966 and 1967.

Published by Authority of
The Minister of Industry, Trade and Commerce

DOMINION BUREAU OF STATISTICS

Balance of Payments and Financial
Flows Division

Balance of Payments Section

September 1969
2306-502

Price: 50 cents
\$2.00 a year

Vol. 17—No. 2

The basic historical record of the Canadian quarterly Balance of Payments with all countries (including bilateral transactions) may be obtained from the following publications.

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information	1.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1967" revised 1965 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1969" for revised bilateral data for 1966 and 1967 and for revised global data for 1968 .....	.50

Note: Additional subsidiary detail published regularly may be traced through the successive quarterly reports.

THE SYSTEM OF NATIONAL ACCOUNTS

In Canada, the National Accounts have been developed since the close of the Second World War in a series of publications relating to their constituent parts. These have now reached a stage of evolution where they can be termed a "System of National Accounts". For purposes of identification, all publications (containing tables of statistics, descriptions of conceptual frameworks, and descriptions of sources and methods) which make up this System will now carry the term "System of National Accounts" as a general title.

The System of National Accounts in Canada consists of several parts. The annual and quarterly Income and Expenditure Accounts (included with Catalogue Nos. carrying the prefix 13) were, historically speaking, the first set of statistics to be referred to with the title "National Accounts" (National Accounts, Income and Expenditure). The Balance of International Payments data, (Catalogue Nos. with prefix 67), in their more summary form, are also part of the System of National Accounts and they, in fact, pre-date the Income and Expenditure Accounts.

Greatly expanded structural detail on industries and on goods and services is portrayed in the Input-Output Tables of the System (Catalogue Nos. with prefix 15). The Indexes of Real Domestic Product by Industry (included with Catalogue Nos. carrying the prefix 61) provide "constant dollar" measures of the contribution of each industry to gross domestic product at factor cost. Inputs and outputs are related in Productivity Studies (Catalogue Nos. with prefix 14).

Both the Input-Output Tables and Indexes of Real Domestic Product by Industry use the establishment as the primary unit of industrial production. Measures of financial transactions are provided by

the Financial Flow Accounts (Catalogue Nos. with prefix 13). Types of lenders and financial instruments are the primary detail in these statistics, and the legal entity is the main unit of classification of transactors. Also, provision is made in the System for incorporation of balance sheet (wealth) estimates when such data are sufficiently developed.

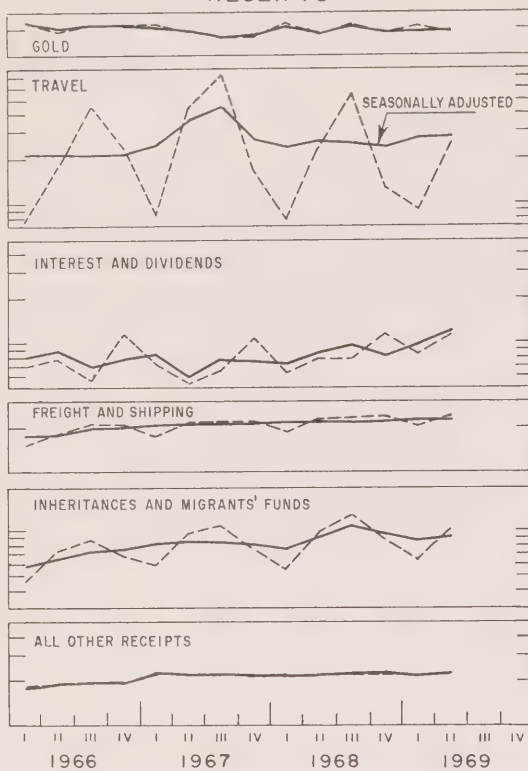
The System of National Accounts provides an overall conceptually integrated framework in which the various parts can be considered as interrelated sub-systems. At present, direct comparisons amongst those parts which use the establishment as the basic unit and those which use the legal entity can be carried out only at highly aggregated levels of data. However, the Dominion Bureau of Statistics is continuing research on enterprise-company-establishment relationships; it may eventually be feasible to reclassify the data which are on one basis (say the establishment basis) to correspond to the units employed on another (the company or the enterprise basis).

In its broad outline, the Canadian System of National Accounts bears a close relationship to the international standard as described in the United Nations publication, "A System of National Accounts" (Studies in Methods, Series F., No. 2, Rev. 3, Statistical Office, Department of Economic and Social Affairs, United Nations, New York, 1968). In the future, a document on the conceptual framework of the Canadian System of National Accounts will be prepared for publication by the Dominion Bureau of Statistics. This document will furnish the broad theoretical outline of the System. The finer conceptual details, the statistical tables, and the descriptions of sources and methods as they pertain to the individual parts of the System, will appear in the various regular and occasional publications relating to those parts.

CURRENT ACCOUNT—NON-MERCHANDISE TRANSACTIONS (SEMI-LOGARITHMIC SCALE)

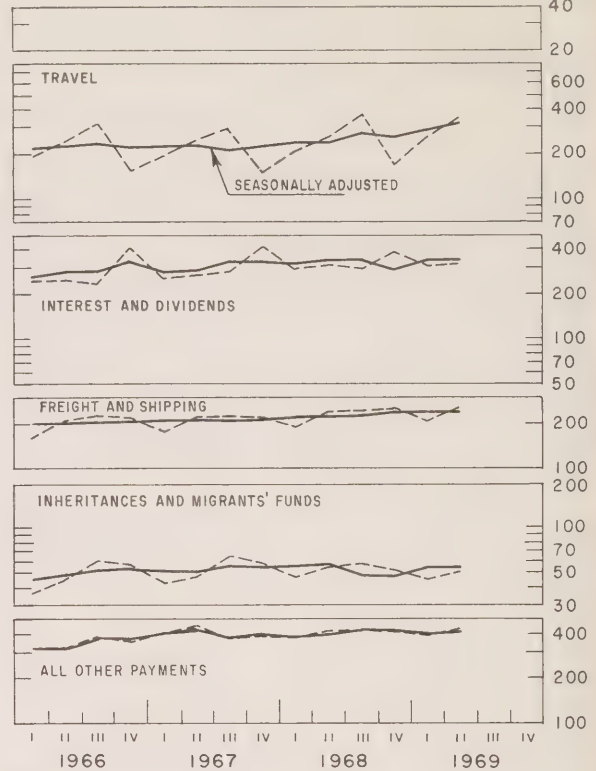
RECEIPTS

MILLIONS OF DOLLARS



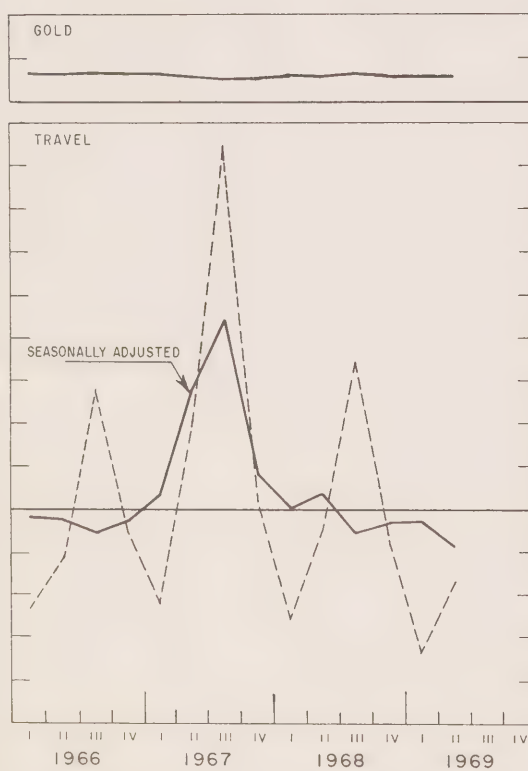
PAYMENTS

MILLIONS OF DOLLARS

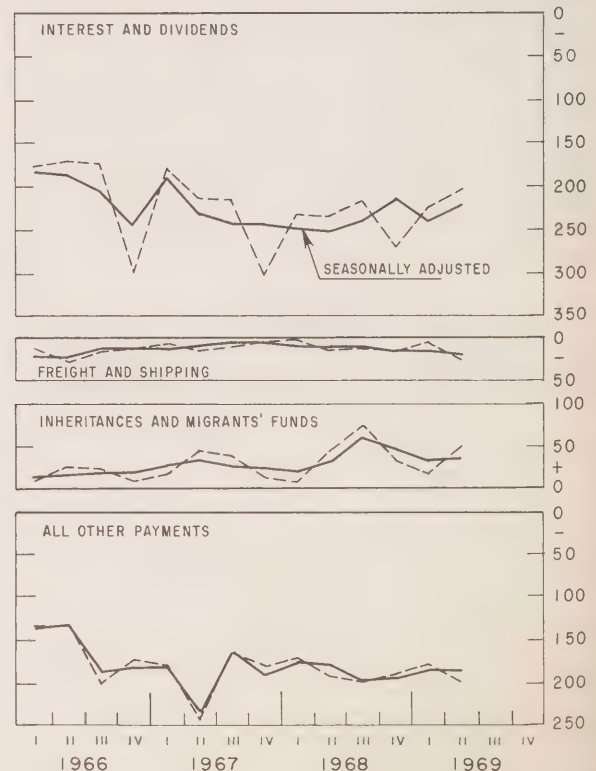


BALANCES (ARITHMETIC SCALE)

MILLIONS OF DOLLARS



MILLIONS OF DOLLARS



QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1969

Canada's current account deficit from transactions with the rest of the world rose to \$339 million in the second quarter of 1969 some \$53 million more than in the previous quarter and \$320 million above the deficit in the corresponding quarter of 1968. The principal factor accounting for this change was the decline in the merchandise trade surplus to \$97 million as the rate of increase in merchandise imports outpaced that for merchandise exports.

Summary Statement

	1967	1968	1968				1969	
			I Q	II Q	III Q	IV Q	I Q	II Q
			millions of dollars					
Merchandise trade balance	+ 566	+ 1,376	+ 263	+ 372	+ 483	+ 258	+ 243	+ 97
Balance on non-merchandise transactions	- 1,065	- 1,487	- 491	- 391	- 150	- 455	- 529	- 436
Current account balance	- 499	- 111	- 228	- 19	+ 333	- 197	- 286	- 339
Capital movements in long-term forms ..	+ 1,347	+ 1,590	+ 169	+ 723	+ 342	+ 356	+ 548	+ 490
Capital movements in short-term forms	- 830	- 1,126	- 706	- 84	- 514	+ 178	- 299	- 210
Net capital movement(1)	+ 517	+ 464	- 537	+ 639	- 172	+ 534	+ 249	+ 280
Official monetary movements(2)	+ 18	+ 353	- 765	+ 620	+ 161	+ 337	- 37	- 59

(1) Excluding items in final line.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

Capital movements produced a net inflow of \$280 million, a rise of \$31 million from the first quarter level but well below the \$639 million inflow of the second quarter of 1968 which was strongly influenced by the reflux of capital following the foreign exchange crisis in the early months of that year. Despite unusually large inflows for the purchase of existing Canadian assets capital movements in long-term forms declined \$58 million in the period under review to \$490 million as sales of new issues of Canadian securities to non-residents dropped by \$161 million to \$492 million while outflows for Canadian direct investment abroad and the purchase of foreign securities increased substantially. Capital movements in short-term forms led to a net outflow of \$210 million, a fall of \$89 million from the previous quarter. Outflows to increase Canadian holdings of bank balances and other short-term funds abroad at \$527 million were at record levels but there were substantial inflows as residents increased their short-term foreign currency bank borrowings and finance companies sold more short-term paper abroad.

Official net monetary assets fell by \$59 million compared with \$37 million in the first quarter of 1969. In the corresponding period of 1968 a \$620 million increase in these assets was recorded following the recovery from the speculative attack on the Canadian dollar earlier in that year.

The second quarter was marked by some slowing down in the growth of the Canadian economy as demand pressures in most sectors appeared to ease slightly. However, in Canada and in its major trading partners, high levels of demand and inflationary pressures continued to be of concern. Resulting from these pressures and partly for balance of payments considerations many major countries witnessed a tightening of monetary conditions during the quarter. On the basis of world trade data so far available, there appears to have been considerable growth in the value of merchandise traded internationally.

Merchandise Trade

In the first half of 1969 merchandise exports rose by over 11 per cent compared with the corresponding period of 1968 to \$7,274 million while imports increased by about 18 per cent to \$6,934 million.

The trade balance in the first six months of 1969 thus showed a surplus of \$340 million as against a surplus of \$635 million in the first half of 1968. With economic activity continuing to show considerable strength and inflationary pressures remaining severe in the United States, exports continued to increase. Meanwhile higher income levels and strong demand conditions in Canada gave continued impetus to the upward trend of imports. However, declining wheat export markets and the effects of strikes in the iron ore industry which tied up about two thirds of the country's iron ore production for a number of weeks contributed to a situation where exports increased at a much slower rate than imports, thus reducing the over-the-year trade surplus by about 50 per cent to \$340 million.

Exports of the end products group of commodities showed the largest increase in exports rising from 32 per cent of domestic exports in the first half of 1968 to 37 per cent in 1969. The shares of the fabricated materials and crude materials groups remained at about 38 and 17 per cent respectively. Within the end products group, exports of motor vehicles (before adjustment for balance of payments purposes) increased by some 38 per cent to about \$1.2 billion and exports of motor vehicle parts, including engines and parts, rose by 25 per cent to approximately \$493 million. There were also relatively large increases in exports of lumber, woodpulp, newsprint, crude petroleum and natural gas. Wheat clearances fell by over \$90 million, 26 per cent below the first half of 1968 clearances as a world surfeit of wheat led to the de facto breakdown of the International Grains Arrangement compounding the marketing problems of the major exporting countries. Other commodities showing decreases in exports were iron ore, copper and fabricated iron and steel.

About 78 per cent of the increase of \$1,040 million in imports was due to the increase in imports of end products with motor vehicle parts, including engines (before adjustment for balance of payments purposes) accounting in turn for about 43 per cent of the group increase. Import levels of machinery, iron and steel products and trucks, truck tractors and chassis were also up substantially from the first half of 1968.

The usual adjustments for balance of payments purposes to recorded merchandise trade in the second quarter of 1969 consisted of a net addition of \$17 million to exports principally in respect of wheat and progress payments on aircraft and a net deduction of \$35 million from imports as current progress payments for civil aircraft were less than deliveries against which payments had been made in the past. Besides the usual adjustments which relate mainly to timing problems, the balance of payments figures in this publication contain adjustments to the recorded Trade of Canada data due to differences in valuation concepts relating to automotive products. These adjustments result mainly from differences between the valuation accepted in trade statistics, based on the wholesale price to dealers and actual transfer prices consistent with international settlements which are more appropriate for the balance of payments and other parts of the system of national accounts. In addition, a further adjustment has been made to eliminate from the import data for motor vehicle parts the amortization of certain charges which have also been included in business service payments. These adjustments to the automotive industry totals were made to the 1969 data and are also included in the revised 1967 and 1968 figures. These two factors led to reductions in the recorded trade totals for exports amounting to \$57 million, \$72 million and \$42 million in 1967, 1968 and the first half of 1969 respectively and to reductions in imports of \$128 million, \$147 million and \$110 million in the same periods.

In the first half of 1969 export prices continued to rise, climbing to 4.2 per cent above the average in the first half of 1968 and to 3.3 per cent above the average for the whole of 1968. The export price index of the fabricated materials group rose by 5.6 per cent over the corresponding 1968 period. Part of the rise in export prices resulted from increases in world lumber and metal prices in the first quarter. Prices of manufactured goods have risen at a lower rate. Import prices in the first half of 1969 were about 2.3 per cent above those in the corresponding period of 1968. Thus the over-the-year rise in import prices amounted to about 50 per cent of the export price increase.

Non-Merchandise Transactions

At \$965 million, the deficit on non-merchandise transactions in the first half of 1969 was 9 per cent higher than the deficit in the same period in 1968. Total receipts rose by about 8 per cent to \$1,651 million while total payments increased by about 9 per cent to \$2,616 million. The bulk of the change in the deficit was due to the increased deficit on travel account which rose by \$103 million to \$256 million during the period under review. The increase of 11 per cent in travel receipts was more than offset by the increase in travel payments which rose by about 30 per cent to \$606 million. This increase in international travel payments to non-residents reflects the higher transportation payments to United States and other foreign airlines during the period Air Canada employees were on strike as well as the rise in average expenditures, exclusive of transportation costs, and in the volume of traffic by plane. Lesser increases in deficits on other non-merchandise transactions amounting in total to \$20 million occurred in freight and shipping transactions, and miscellaneous transac-

Travel Expenditures

	First six months			Change in 1969
	1967	1968	1969	
millions of dollars				
United States:				
Receipts	372	273	307	+ 34
Payments	322	345	449	+ 104
Balance	+ 50	- 72	- 142	- 70
Overseas:				
Receipts	57	41	43	+ 2
Payments	120	122	157	+ 35
Balance	- 63	- 81	- 114	- 33
All countries:				
Receipts	429	314	350	+ 36
Payments	442	467	606	+ 139
Balance	- 13	- 153	- 256	- 103

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1967	1,211	471	740
1968	1,290	548	742
1967 I Q ...	251	105	146
II Q ...	267	130	137
III Q ...	280	106	174
IV Q ...	413	130	283
1968 I Q ...	293	122	171
II Q ...	314	144	170
III Q ...	297	122	175
IV Q ...	386	160	226
1969 I Q ...	309	142	167
II Q ...	320	174	146

tions mainly business services. Freight and shipping transactions, generally reflecting the pattern of merchandise trade, showed an increase of about 4 per cent to \$437 million in receipts and an increase of 7 per cent to \$467 million in payments. Cargo traffic which last year was affected by strikes of lock tenders and grain handlers has this year been affected by the strike in the iron ore industry and by the lower level of Canadian grain exports. Gold production available for export fell marginally to \$59 million.

Official contributions in the first half of 1969 increased by 18 per cent to \$64 million from the corresponding period in 1968. As in the previous year official contributions in the second quarter rose significantly over the first quarter. About two thirds of the amount of \$48 million disbursed in economic aid during the second quarter took place under the international food aid programme. Most of this food aid represented wheat shipments to India.

Partly offsetting the above changes on non-merchandise trade items, there were lower net payments amounting to \$36 million on interest and dividends and an increase in the net receipts amounting to \$15 million on migrants' funds. The net balance from receipts and payments of interest and dividends improved from a deficit of \$468 million in the first six months of 1968 to \$432 million in the corresponding period of 1969. This net improvement of \$36 million was accounted for by an increase of \$58 million in income receipts which was partially offset by a \$22 million rise in income payments. Both interest and dividends contributed almost equally to the \$58 million increase in income receipts from \$139 million to \$197 million. An important element in interest receipts has been net income on official holdings of foreign exchange. All of the increase in dividend receipts occurred in the second quarter of 1969 due to expanded payments of foreign subsidiaries situated chiefly in the United Kingdom, the Rest of the Sterling Area and OECD (Europe) countries to their Canadian parent companies. Income payments rose by \$22

million to \$629 million. This was accounted for by a rise of \$50 million in interest payments which was partially offset by a \$28 million decline in dividend payments and branch profits. By far the greater part of this decline occurred during the second quarter of 1969 due chiefly to decreased profits of branch operations of foreign companies. Strikes in a key sector of the economy exerted an unfavourable impact on profits. Payments on portfolio investments increased slightly. The rise in interest payments to \$316 million was attributable to large non-resident purchases of new bond issues of corporations and all levels of government in 1968. Although geographically most of the interest payments continued to go to the United States, payments to OECD countries have more than doubled during this period owing to large bond sales in these countries by the federal and provincial governments and to some extent by private corporations. The net balance from receipts and payments of interest and dividends accounted for about 45 per cent of the deficit on non-merchandise transactions, or about 8 percentage points lower than the corresponding proportion for 1968.

The inheritances and migrants' fund account showed an increase of \$15 million in net receipts to \$68 million in the first half of 1969. This was due partly to a decline in funds transferred to other countries, particularly to the United States and partly to an increase in per capita immigrants' funds. The number of immigrants however continued to fall, dropping to 75,000 from 90,000 in 1968.

Balances on Principal Non-merchandise Transactions

	First six months			Change in 1969
	1967	1968	1969	
	millions of dollars			
Gold production available for export	+ 60	+ 60	+ 59	- 1
Travel expenditures	- 13	- 153	- 256	- 103
Interest and dividends	- 394	- 468	- 432	+ 36
Freight and shipping	- 19	- 15	- 30	- 15
Inheritances and migrants' funds	+ 63	+ 53	+ 68	+ 15
Official contributions	- 132	- 54	- 64	- 10
All other current transactions	- 290	- 305	- 310	- 5
Balance on non-merchandise transactions	- 725	- 882	- 965	- 83

The revised 1967 and 1968 estimates for all other current transactions showed relatively substantial increases in both receipts and payments, the former by \$57 million and \$99 million and the latter by \$73 million and \$104 million in 1967 and 1968 respectively. These revisions have been mainly brought about by an extension of coverage of government transactions, increases in business service payments by the automotive industry and a change in the treatment of certain international transactions of railways which have been revised to a gross instead of a net basis.

Current Account Transactions in the Second Quarter - Seasonally Adjusted

After allowance for seasonal factors, the deficit on current account transactions in the second quarter increased sharply to almost \$250 million, close to double that recorded in the previous quarter. The deterioration arose largely from transactions in merchandise trade where the surplus declined to \$156 million from \$264 million in the first quarter as exports fell by almost 4 per cent to a seasonally adjusted quarterly level of \$3,611 million, while imports at a level of \$3,455 million were only fractionally lower. Details on selected commodity groupings of seasonally adjusted imports and exports appearing in DBS Daily, August 14th, 1969, suggest that sizeable declines in wheat, lumber, iron and steel exports more than offset the significant increases in exports of crude petroleum and motor vehicles and parts.

Balances on Current Transactions, Seasonally Adjusted

	Merchandise balance	Balance on non- merchandise transactions	Current account balance(1)
	millions of dollars		
1967			
I Q	+ 164	- 307	- 143
II Q	+ 106	- 272	- 166
III Q	- 45	- 141	- 186
IV Q	+ 341	- 345	- 4
Year	+ 566	- 1,065	- 499
1968			
I Q	+ 301	- 379	- 78
II Q	+ 453	- 361	+ 92
III Q	+ 327	- 382	- 55
IV Q	+ 295	- 365	- 70
Year	+ 1,376	- 1,487	- 111
1969			
I Q	+ 264	- 390	- 126
II Q	+ 156	- 402	- 246

(1) Omission of inheritances and migrants' funds yields exports and imports of goods and services as published in the National Income and Expenditure Accounts (seasonally adjusted at annual rates).

Note: Details of current account items, seasonally adjusted, may be found on pages 20 and 21.

Non-merchandise transactions on a seasonally adjusted basis led to a moderate increase in the deficit on this account to just over \$400 million from \$390 million in the previous quarter. This largely resulted from a significant widening of the deficit on travel account, where payments, at \$321 million, were over 10 per cent higher than in the first quarter, compared to only a one per cent rise in receipts, which lifted their level to \$278 million. Some offset to this occurred as seasonally adjusted interest and dividend receipts showed an unusual increase to \$124 million from \$97 million in the previous quarter, thus causing some reduction in the seasonally adjusted deficit on this account.

Transactions by Areas

In the first six months of 1969 total receipts from the United States amounted to \$6,209 million, some \$839 million more than in the first half of 1968. Total payments rose by \$863 million to \$6,943 million. The current account deficit with the United States therefore increased by \$24 million to \$734 million.

Merchandise exports to the United States accounted for \$5,125 million or 82 per cent of the total United States receipts. Although towards the end of the first half of 1969 there were some

indications that monetary and fiscal policies designed to suppress inflation in the United States were beginning to take effect, practically the whole of the increase in Canadian exports went to the United States. Exports of fabricated materials which represented about 37 per cent of domestic exports to the United States rose by over \$130 million - an increase of about 8 per cent over the first half of 1968. There was a small reduction in exports of crude materials. Merchandise imports from the United States rose nearly as much as exports, namely by \$732 million to \$5,115 million. Imports of end products which represented the bulk of merchandise imports from the United States, increased by about \$650 million while imports of fabricated materials increased by over \$150 million to \$942 million. Imports of crude materials fell by about \$50 million to some \$195 million. The trade surplus with the United States rose to \$10 million from \$2 million in the first half of 1968.

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1967	- 563	- 508	+ 48	- 319	- 1,342
1968	- 421	- 289	+ 156	- 284	- 838
1969	- 406	- 328			
United Kingdom:					
1967	+ 127	+ 116	+ 102	+ 167	+ 512
1968	+ 122	+ 126	+ 112	+ 89	+ 449
1969	+ 100	+ 41			
Other countries:					
1967	+ 123	+ 123	+ 50	+ 35	+ 331
1968	+ 71	+ 144	+ 65	- 2	+ 278
1969	+ 20	- 52			
All countries:					
1967	- 313	- 269	+ 200	- 117	- 499
1968	- 228	- 19	+ 333	- 197	- 111
1969	- 286	- 339			

net influx of \$606 million as long-term movements led to a net inflow of \$353 million while there was a swing to a short-term capital inflow of \$253 million. In sum, these transactions with the United States gave rise to net receipts by Canada of \$250 million more than offsetting the \$202 million net payment by Canada in the first quarter.

Total receipts from the United Kingdom fell by about 3 per cent or \$21 million to \$770 million due to a reduction of \$35 million in merchandise exports and an increase of \$14 million in other current receipts. Total payments rose by 16 per cent or \$86 million to \$629 million. The current account surplus therefore fell to \$141 million. Merchandise imports from the United Kingdom increased by 19 per cent to \$405 million, some \$65 million more than in the first half of 1968; the over-the-year increase in payments for other current transactions was just over 10 per cent or \$21 million. The change in the trade balance with the United Kingdom, probably reflecting the effects of the policy of the United Kingdom government to ameliorate its balance of payments performance showed a reduction of \$100 million in the Canadian surplus which fell to \$175 million in the first half of 1969. In this period there were reduced shipments of wheat, lumber and wood products, aluminum and nickel, and a small increase in exports of newsprint paper. Imports of end products, the major category of goods imported from the United Kingdom, rose by about 23 per cent to \$256 million, and imports of fabricated materials increased by about 16 per cent to \$14 million.

Non-merchandise transactions with the United Kingdom led in the first six months of 1969 to an increased deficit of \$7 million to \$34 million, mainly due to the greater deficit on travel account which increased by \$11 million. As in the case of the United States there was a reduction in the deficit on net interest and dividend payments amounting to \$5 million.

The deficit with the United States on non-merchandise transactions increased by \$32 million to \$744 million. Receipts rose by \$99 million to \$1,084 million while payments increased by \$131 million to \$1,828 million. The \$70 million increase in the travel account deficit to \$142 million accounted for the greater part of the increase in the deficit with the United States. Although the United States is Canada's greatest non-resident source of travel revenue, it is also a strong attraction for Canadian travellers, and takes about 75 per cent of total Canadian travel expenditure abroad.

The increased deficit on the travel account together with the increases in deficits on freight and shipping and all other current transactions amounting to \$20 million and a small reduction of \$1 million in gold production available for export were partly offset by a reduction of \$36 million in the net interest and dividend payments and an increase of \$23 million in the surplus of migrants' funds.

If the credit representing gold production available for export is excluded, Canada's current account deficit with the United States in the second quarter of 1969 was \$356 million. Capital flows between the two countries produced

Canada's Bilateral Accounts with the United States and the Rest of the World

	1967	1968	1968				1969	
			I Q	II Q	III Q	IV Q	I Q	II Q
	millions of dollars							
Transactions with the United States:(1)								
Current account balance	- 1,454	- 958	- 454	- 316	+ 124	- 312	- 437	- 356
Capital movements in long-term forms	+ 1,244	+ 1,084	+ 141	+ 368	+ 247	+ 328	+ 343	+ 353
Capital movements in short-term forms	- 944	- 1,243	- 529	- 197	- 716	+ 199	- 108	+ 253
Totals	- 1,154	- 1,117	- 842	- 145	- 345	+ 215	- 202	+ 250
Transactions with the rest of the world:								
Current account balance	+ 843	+ 727	+ 193	+ 270	+ 177	+ 87	+ 120	- 11
Capital movements in long-term forms	+ 103	+ 506	+ 28	+ 355	+ 95	+ 28	+ 205	+ 137
Capital movements in short-term forms	+ 114	+ 117	- 177	+ 113	+ 202	- 21	- 191	- 463
Totals	+ 1,060	+ 1,350	+ 44	+ 738	+ 474	+ 94	+ 134	- 337
Gold production available for export	+ 112	+ 120	+ 33	+ 27	+ 32	+ 28	+ 31	+ 28
Official monetary movements(2)	+ 18	+ 353	- 765	+ 620	+ 161	+ 337	- 37	- 59

(1) Excluding gold production available for export shown separately below.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

Transactions with the Rest of the Sterling Area countries produced a reduction of \$71 million in the current account surplus which fell to \$48 million. This reduction was to a large extent caused by the lowering of the trade surplus by about 43 per cent to \$50 million due mainly to an increase of about 32 per cent in imports. An increase in exports was recorded to India, principally for economic aid, while exports to Australia were reduced. There were relatively large increases in imports from Hong Kong, Malaysia, Australia, and Jamaica. A small surplus of \$5 million in 1968 in other current transactions was converted into a deficit of \$2 million in 1969. An increase of \$11 million in official contributions was the largest deficit increase on invisibles.

In the first half of 1969 total receipts from the OECD (Europe) group of countries amounted to \$710 million and were about 18 per cent above the total receipts in the same period of 1968. Total payments rose by about 14 per cent to \$801 million. The current account deficit with this group of countries was therefore reduced by \$7 million to \$91 million. With merchandise exports increasing by \$103 million and merchandise imports increasing by \$73 million the trade balance performance moved to a surplus of \$82 million - an increase of \$30 million over that in the same period of 1968. There were increased exports to France, the Federal Republic of Germany, Greece, Italy, the Netherlands, Norway, Switzerland and Sweden, and reduced exports to Belgium and Luxembourg, Portugal and Spain. With the exception of Portugal, imports from all these countries increased.

For other current transactions, increased deficits on travel, interest and dividends, freight and shipping, and the reduction in the surplus on migrants' funds amounting in total to \$36 million were partly reduced by a decrease of \$12 million in the deficit on government transactions.

The current account surplus with Other Countries fell to \$11 million from \$194 million in the first half of 1968. The reduction largely arose in the merchandise trade account where the surplus fell by \$169 million to \$23 million. Exports declined by \$58 million to \$697 million due mainly to lower wheat shipments to the U.S.S.R., the Peoples-Republic of China and Japan, which fell in total by about \$82 million. Imports, on the other hand, rose by \$111 million to \$674 million. Imports from

Japan alone increased by over \$66 million while imports from the People's Republic of China, Taiwan, Venezuela and Mexico increased in total by about \$25 million. The non-merchandise balance with this group of countries due to larger net payments on travel, and on miscellaneous transactions and a lower surplus on freight and shipping changed from a surplus of \$2 million in the first half of 1968 to a deficit of \$12 million in the first half of 1969.

Total current and capital account transactions by Canada with the United Kingdom and other overseas countries resulted in a net outflow of \$337 million, the first overall payment balance since the first quarter of 1966. Short-term capital outflows at \$463 million were the principal factor in this movement as Canadians built up their foreign currency bank balances overseas. In addition current account transactions resulted in a deficit of \$11 million mainly as a result of a reduced merchandise trade surplus. Long-term capital movements, however, led to a net inflow of \$137 million.

Capital Movements

Summary

Item	1967	1968	1968				1969	
			I Q	II Q	III Q	IV Q	I Q	II Q
millions of dollars								
Capital movements in long-term forms ..	+ 1,347	+ 1,590	+ 169	+ 723	+ 342	+ 356	+ 548	+ 490
Capital movements in short-term forms	- 830	- 1,126	- 706	- 84	- 514	+ 178	- 299	- 210
Balance on goods and services	- 499	- 111	- 228	- 19	+ 333	- 197	- 286	- 339
Official monetary movements(1)	+ 18	+ 353	- 765	+ 620	+ 161	+ 337	- 37	- 59

(1) Change in holdings of monetary gold, foreign exchange, and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

The net movement of capital into Canada rose slightly in the second quarter to \$280 million from \$249 million in the March quarter. On balance, the inflow of long-term capital fell by \$58 million to \$490 million while the outflow of short-term capital was \$89 million lower at \$210 million. There was a moderate deterioration in the deficit from current account transactions to \$339 million so that the balance of current and capital account transactions led to a \$59 million fall in official monetary assets.

Sales of Canadian new issues to non-residents, at \$492 million, were sharply down from the first quarter's high of \$653 million but continued to be the major factor contributing to the net inflow of long-term capital during the quarter. Inflows for direct investment doubled to \$260 million as a result mainly of two major takeover transactions. The main outflows arose from the retirements of Canadian securities and direct investment abroad by Canadian companies. Sales of new issues are taken into the balance of payments at the time of delivery. The effect of adjusting actual long-term capital inflows to reflect the timing of security offerings is given in the accompanying statement which shows that deliveries were somewhat in excess of offerings during the quarter. However, as in the previous quarter the balance of offerings undelivered at the end of the quarter remained at an exceptionally high level - some \$955 million.

Capital movements in short-term forms gave rise to a reduced outflow of \$210 million. There was an increase of \$359 million in the outflow to augment Canadian holdings of bank balances and other short-term funds abroad. However, this was more than offset by a swing of over \$500 million to an inflow of \$232 million in the category described as "all other transactions" (which includes changes in loans and accounts payable and receivable as well as transactions which have not yet been identified).

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
	millions of dollars	
1967	+ 1,347	+ 1,599
1968	+ 1,590	+ 2,142
1967 I Q	+ 280	+ 333
II Q	+ 247	+ 351
III Q	+ 313	+ 473
IV Q	+ 507	+ 442
1968 I Q	+ 169	+ 235
II Q	+ 723	+ 641
III Q	+ 342	+ 349
IV Q	+ 356	+ 917
1969 I Q	+ 548	+ 603
II Q	+ 490	+ 464

A particularly important element of short-term capital movements were transactions in the Canadian banking system's foreign currency assets and liabilities which gave rise to a total outflow of \$307 million. The net spot holdings by the Canadian chartered banks of foreign currency claims on non-residents rose on a transactions basis by \$307 million in the quarter while those on Canadians declined by \$572 million to produce an overall decrease of \$265 million. (Claims on residents of the United States and overseas countries rose by \$3 million and \$687 million respectively while liabilities to these areas increased by \$79 million and \$304 million respectively. Foreign currency claims on Canadians were increased by \$217 million while liabilities rose by \$789 million as holdings of swapped deposits spurted by almost \$600 million to \$1,480 million at the end of June. Thus the net decrease of \$265 million in foreign currency assets reflects declines in net assets of \$76 million and \$572 million with residents of the United States and Canada respectively partly offset by an increase of \$383 million with residents of overseas countries.) These figures cannot be identified separately in the balance of payments

presentation in this report but form elements of several of the items. It is interesting to note that for the first time in almost five years the chartered banks' net spot foreign currency position was short by almost \$22 million. In general, however, the overall foreign currency position of the chartered banks, including forward contracts, tends to be more stable than the spot position alone.

Direct Investment

The net inflow of capital for long-term investment in foreign-controlled concerns in Canada rose sharply during the quarter to the high level of \$260 million, doubling the first quarter figure.

By far the largest part of the inflow went into manufacturing chiefly as a result of the acquisition of further holdings in a major brewing enterprise by an international concern and the takeover of a large food processing concern. There were also significant inflows of capital into the petroleum and mining industries while there was a large outflow from the finance industry involving the acquisition by Canadian interests of a major insurance company which formerly was largely owned by non-residents. Approximately three fifths of this quarter's inflow originated in the United States with almost all of the remainder originating from other countries outside Europe, mainly South Africa.

There was an exceptionally large outflow of \$110 million for Canadian direct investment abroad during the quarter which was substantially due to investment by manufacturers of beverages and tobacco products. About three quarters of the outflow went to the United States with most of the remainder going to Commonwealth countries other than the United Kingdom.

Security Transactions

The net inflow due to transactions in portfolio securities between Canada and other countries during the second quarter fell by more than twenty-five per cent to \$422 million from the record high in the first quarter. Inflows from sales of Canadian issues dropped by almost one third to \$429 million, as deliveries of new issues returned to the more normal level of \$492 million from the rather high \$653 million in the first quarter. Net purchases of foreign securities by Canadians registered a small net outflow of \$7 million, continuing the decline evident since the third quarter of 1968 which has been largely attributable to reduced net purchases of outstanding issues.

The sharp decline in deliveries of new Canadian issues during the quarter, which, nevertheless constituted the third highest on record, was attributable, in large part, to a \$124 million reduction in deliveries of new provincial direct and guaranteed bond issues. New municipal issues which rose to near record levels of \$86 million were almost double the previous quarter's figure. New issues of corporate bonds at \$80 million shared in the overall decline dropping to less than one half of the

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1968				1969	
	1967	1968	I Q	II Q	III Q	IV Q	I Q	II Q
millions of dollars								
Canadian securities:								
Outstanding - Bonds	- 57	- 69	- 52	- 11	- 13	+ 7	+ 17	- 6
Stocks	+ 12	+ 112	+ 15	+ 34	+ 10	+ 53	+ 37	+ 44
New issues	+ 1,307	+ 1,933	+ 407	+ 708	+ 452	+ 366	+ 653	+ 492
Retirements	- 357	- 395	- 124	- 120	- 37	- 114	- 69	- 101
Foreign securities:								
Outstanding issues	- 382	- 425	- 75	- 127	- 121	- 102	- 49	- 6
New issues	- 65	- 70	- 23	- 9	- 14	- 24	- 11	- 20
Retirements	+ 15	+ 27	+ 9	+ 7	+ 3	+ 8	+ 2	+ 19
Totals, all countries	+ 473	+ 1,113	+ 157	+ 482	+ 280	+ 194	+ 580	+ 422
United States	+ 567	+ 665	+ 134	+ 230	+ 143	+ 158	+ 326	+ 277
United Kingdom	- 65	- 11	+ 11	- 13	- 2	- 7	+ 18	+ 10
Other countries	- 29	+ 459	+ 12	+ 265	+ 139	+ 43	+ 236	+ 135

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
millions of dollars			
1967	1,466	1,214	374
1968	1,907	1,355	926
1967 I Q	346	293	175
II Q	384	280	279
III Q	422	262	439
IV Q	314	379	374
1968 I Q	399	333	440
II Q	348	430	358
III Q	284	277	365
IV Q	876	315	926
1969 I Q	429	374	981
II Q	259	285	955

(1) At end of period.

\$175 million for the previous quarter. Geographically over seven tenths of the proceeds of new bond issues came from the United States and nearly all of the remainder from Continental Europe, which provided approximately the same proportion of the proceeds as in the previous quarter. Proceeds from new issues of common and preference stocks remained at a high level at \$76 million, chiefly as a result of large foreign purchases of new issues of petroleum companies, which also constituted the major factor in the first quarter's high level. Trading in outstanding Canadian securities produced a slightly smaller net sales balance of \$38 million compared with about \$54 million in the previous quarter. Geographically there was a net outflow of \$1 million to the United Kingdom and net inflows of \$30 million and \$9 million from the United States and other foreign countries respectively. Retirements of Canadian securities rose by \$32 million to \$101 million during the quarter. The decline in the net capital outflow from transactions in foreign securities constituted the third such consecutive quarterly decrease and at \$7 million, was some \$51 million smaller than the figure for the first quarter. Again,

as with the previous two quarters the major reason for the decline was the decreased net purchases of common and preference shares from the United States.

Other Capital Movements in Long-Term Forms

During the second quarter the Government of Canada made loan disbursements to other governments of \$16 million. Geographically the disbursements, all of which were made under the development loan programme, went mainly to Asia. Slightly more than \$2 million went to countries in other parts of the world. In addition Canada made a subscription of \$27 million to an international investment agency. Repayments of principal on intergovernmental loans outstanding under earlier programmes amounted to \$2 million.

Transactions arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government of Canada led to a higher net capital outflow of \$29 million. The \$16 million increase in the outflow compared with the first quarter was largely due to higher advances for purchases of wheat by Sino-Soviet countries.

All other transactions in long-term forms gave rise to a net capital outflow of \$12 million compared with an outflow of \$73 million in the first quarter. This quarter's outflow mainly resulted from a large number of offsetting movements in the long-term liabilities of Canadians to banks in the United States. This item also covers other long-term loans, mortgage investments and movements of insurance funds.

Detail of Long-term Capital Transactions n.i.e.
Item D13

Year and quarter	Export credits(1)						Sub-total	Other trans- actions	Total
	Wheat			Other commodities					
	Ad- vances	Repay- ments	Net "	Ad- vances	Repay- ments	Net			
	millions of dollars								
1967	- 91	+ 219	+ 128	- 60	+ 39	- 21	+ 107	+ 161	+ 268
1968	- 143	+ 216	+ 73	- 89	+ 45	- 44	+ 29	- 42	- 13
1967 I Q	- 27	+ 46	+ 19	- 12	+ 10	- 2	+ 17	+ 22	+ 39
II Q	- 39	+ 95	+ 56	- 14	+ 8	- 6	+ 50	- 1	+ 49
III Q	- 24	+ 42	+ 18	- 10	+ 11	+ 1	+ 19	+ 68	+ 87
IV Q	- 1	+ 36	+ 35	- 24	+ 10	- 14	+ 21	+ 72	+ 93
1968 I Q	- 25	+ 76	+ 51	- 19	+ 12	- 7	+ 44	- 15	+ 29
II Q	- 45	+ 57	+ 12	- 14	+ 10	- 4	+ 8	+ 12	+ 20
III Q	- 45	+ 48	+ 3	- 25	+ 14	- 11	- 8	- 66	- 74
IV Q	- 28	+ 35	+ 7	- 31	+ 9	- 22	- 15	+ 27	+ 12
1969 I Q	- 25	+ 20	- 5	- 20	+ 12	- 8	- 13	- 73	- 86
II Q	- 39	+ 15	- 24	- 17	+ 12	- 5	- 29	- 12	- 41

(1) Medium and long-term export credits extended from Canada directly or indirectly at risk of the Government of Canada.

Capital Movements in Short-Term Forms

Capital movements in short-term forms gave rise to a somewhat lower net outflow of \$210 million in the second quarter of 1969 compared with an outflow of \$299 million in the first quarter. Short-term interest rates during the second quarter as measured by 3 month treasury bill yields moved up 55 basis points in line with the Bank Rate increase of 1/2 per cent to 7 1/2 per cent in June. The short-term yield differential nearly doubled in favour of Canada as United States treasury bills remained quite stable over the quarter. With doubling of the forward premium on the Canadian dollar covered yield differentials in June rose to an exceptionally high 2.22 per cent in favour of Canada. However, treasury bill yields may not be wholly appropriate in measuring international interest rate differentials. For example Euro-dollar rates in response primarily to tight money conditions in the United States rose to levels above 11 per cent towards the end of the quarter.

Non-resident holdings of Canadian dollars fell by \$10 million during the quarter. This movement comprised an increase of \$25 million in Canadian dollar deposits and decreases of \$30 million and \$5 million, respectively in Government of Canada demand liabilities and non-resident holdings of Canadian treasury bills.

Canadian holdings of foreign currency bank balances and other short-term funds abroad (excluding official reserves) rose sharply by a record \$527 million in the second quarter of 1969 compared with a rise of \$168 million in the first quarter. For the most part this appears to have been a movement of capital responding to interest arbitrage rather than speculative considerations induced by the

Composition of "Other Capital Movements"
(A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1967	1968	1968				1969	
			I Q	II Q	III Q	IV Q	I Q	II Q
			millions of dollars					
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 286	- 405	- 125	+ 27	- 149	- 158	- 168	- 527
17.2 Canadian commercial paper, etc. ..	+ 11	+ 3	+ 6	- 18	+ 2	+ 13	- 3	- 3
17.3 Canadian finance company paper ...	- 54	- 131	- 60	- 35	- 36	-	+ 159	+ 70
17.4 Canadian finance company obligations, n.i.e.	+ 34	+ 19	- 6	- 7	- 2	+ 34	+ 23	+ 28
17.5 All other transactions(1)	- 559	- 751	- 548	- 53	- 345	+ 195	- 310	+ 232
Total (Item D 17)	- 854	- 1,265	- 733	- 86	- 530	+ 84	- 299	- 200

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

very high levels of interest rates on international money markets.

For the second consecutive time, non-residents' holdings of Canadian finance company paper (including that of financing subsidiaries of manufacturing and retail enterprises) increased, rising by \$70 million despite an overall decrease of \$88 million in the amount of Canadian finance company paper outstanding. Transactions in other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies) led on balance to a net inflow of \$28 million compared to a net inflow of \$23 million in the previous quarter. In addition there were, of course, other finance company transactions not identified separately which have been included with capital movements in long-term forms, notably new issues and retirements of Canadian securities. All in all, the international borrowings of these companies in the second quarter resulted in an aggregate net inflow of about \$100 million.

International transactions in Canadian commercial paper (including bankers' acceptances) led to a substantial net inflow of \$17 million while transactions in other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) resulted in a net outflow of \$20 million.

All other transactions led to a net capital inflow of \$232 million, a significant part of which was attributable to increases in residents' foreign currency bank borrowings. Amounts which have not yet been identified represented approximately half of the overall inflow thus reducing the total outflow for this item for the first half of 1969 to just over \$100 million.

Official Holdings of Monetary Gold and Foreign Exchange

Canada's official holdings of monetary gold and United States dollars totalled US \$2,623 million at June 30, 1969 a fall of U.S. \$156 million over the quarter mainly concentrated in June. Part of the decrease had a counterpart in Canada's net balance with the International Monetary Fund which increased by U.S. \$101 million in the quarter principally as the result of a drawing in Canadian dollars by the United Kingdom. This transaction involved an initial augmentation of the IMF's holdings of Canadian dollars as Canada made a loan to that institution in Canadian dollars under the General Arrangements to Borrow equivalent to U.S. \$40 million and also bought gold worth U.S. \$2.5 million with Canadian dollars.

The quarterly change expressed in Canadian dollars showed a drop in official holdings of monetary gold and foreign exchange (including working balances of sterling) of \$168 million. The increase in the IMF balance amounted to \$109 million. In total these transactions reflect a \$59 million decrease in Canada's official net monetary assets.

The spot value of the Canadian dollar on foreign exchange markets slipped gradually through April and May and more markedly in June as the Canadian dollar fell below its official par value of 108.108 cents for U.S. \$1.00 for the first time since April 1968 to 108.16 cents. By the end of the quarter a small premium emerged as the rate rose to 108.09 Canadian cents for U.S. \$1.00.

The following statement provides data on foreign exchange rates and certain reserve items:

Period	United States Dollar in Canada				Official holdings of monetary gold and United States dollars	Net balance with Inter-national Monetary Fund	Reciprocal swap facility with Federal Reserve System
	High	Low	Close	Noon average			
	Canadian cents				millions of United States dollars at end of period		
1968 I Q	109.00	108.09	108.28	108.56	2,244	-	- 250
II Q	108.25	107.50	107.59	107.83	2,574	121	- 125
III Q	107.59	107.25	107.25	107.31	2,534	186	-
IV Q	107.38	107.25	107.28	107.29	2,827	206	-
1969 I Q	107.84	107.25	107.66	107.46	2,779	221	-
II Q	108.16	107.50	108.09	107.76	2,623	322	-
April	107.72	107.50	107.56	107.62	2,782	231	-
May	107.84	107.56	107.78	107.70	2,760	236	-
June	108.16	107.75	108.09	107.95	2,623	322	-

Note: The total of exchange holdings does not include holdings of the Government of Canada at June 30, 1969 of \$84 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Other transact- ions	Total liabi- lities	
millions of United States dollars									
1947-1966	740.0	50.0	790.0	605.0	54.3	- 379.3	61.5(2)	341.5	448.5
1967		- 15.0	775.0	- 15.0		15.1		341.6	433.4
1968		- 35.0	740.0	- 35.0	361.2	- 131.2	- 2.8(3)	533.8	206.2
1968 I Q		- 35.0	740.0	- 35.0	426.0	7.3		739.9	0.1
II Q			740.0			- 121.0		618.9	121.1
III Q			740.0		- 64.8			554.1	185.9
IV Q			740.0			- 17.5	- 2.8(3)	533.8	206.2
1969 I Q			740.0			- 15.0		518.8	221.2
II Q		40.0	780.0	40.0		- 103.5	2.5(2)	457.8	322.2

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow(GAB). The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

(2) Sales of Canadian dollars to IMF for gold.

(3) Dividend payment to Canada.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

Revisions

This report contains revised estimates for 1967 and 1968. The estimates for 1967 are now considered final for all accounts except D13 and D17 while those for 1968 are preliminary. In addition final 1966 estimates for accounts D9 to D17 are also included. Revised estimates for other 1966 accounts were published in the 1968 second quarter report.

Comment on the magnitude of the principal revisions is contained elsewhere in the report.

Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries, Second Quarters 1968 and 1969 and Changes Between the Periods

	1968	1969	Change	1968	1969	Change
millions of dollars						
	All Countries			United States		
Merchandise exports (adjusted)	3,512	3,805	+ 293	2,331	2,666	+ 335
Merchandise imports (adjusted)	3,140	3,708	+ 568	2,307	2,666	+ 359
Balance on merchandise trade	+ 372	+ 97	- 275	+ 24	-	- 24
Other current receipts	888	964	+ 76	591	639	+ 48
Other current payments	1,279	1,400	+ 121	904	967	+ 63
Balance on non-merchandise transactions ...	- 391	- 436	- 45	- 313	- 328	- 15
Total receipts	4,400	4,769	+ 369	2,922	3,305	+ 383
Total payments	4,419	5,108	+ 689	3,211	3,633	+ 422
Current account balance	- 19	- 339	- 320	- 289	- 328	- 39
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted)	319	291	- 28	168	154	- 14
Merchandise imports (adjusted)	180	232	+ 52	110	151	+ 41
Balance on merchandise trade	+ 139	+ 59	- 80	+ 58	+ 3	- 55
Other current receipts	94	107	+ 13	53	64	+ 11
Other current payments	107	125	+ 18	55	66	+ 11
Balance on non-merchandise transactions ...	- 13	- 18	- 5	- 2	- 2	-
Total receipts	413	398	- 15	221	218	- 3
Total payments	287	357	+ 70	165	217	+ 52
Current account balance	+ 126	+ 41	- 85	+ 56	+ 1	- 55
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted)	269	311	+ 42	425	383	- 42
Merchandise imports (adjusted)	240	281	+ 41	303	378	+ 75
Balance on merchandise trade	+ 29	+ 30	+ 1	+ 122	+ 5	- 117
Other current receipts	75	81	+ 6	75	73	- 2
Other current payments	143	165	+ 22	70	77	+ 7
Balance on non-merchandise transactions ...	- 68	- 84	- 16	+ 5	- 4	- 9
Total receipts	344	392	+ 48	500	456	- 44
Total payments	383	446	+ 63	373	455	+ 82
Current account balance	- 39	- 54	- 15	+ 127	+ 1	- 126

Note: Omission of items A7 and B7 for inheritances and migrants' funds in the main balance of payments table at the back of this report yields exports and imports of goods and services as published in the National Income and Expenditure Accounts.

Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries, First Six Months 1968 and 1969 and Changes Between the Periods

	1968	1969	Change	1968	1969	Change
	millions of dollars					
	All Countries			United States		
Merchandise exports (adjusted)	6,529	7,274	+ 745	4,385	5,125	+ 740
Merchandise imports (adjusted)	5,894	6,934	+ 1,040	4,383	5,115	+ 732
Balance on merchandise trade	+ 635	+ 340	- 295	+ 2	+ 10	+ 8
Other current receipts	1,522	1,651	+ 129	985	1,084	+ 99
Other current payments	2,404	2,616	+ 212	1,697	1,828	+ 131
Balance on non-merchandise transactions	- 882	- 965	- 83	- 712	- 744	- 32
Total receipts	8,051	8,925	+ 874	5,370	6,209	+ 839
Total payments	8,298	9,550	+ 1,252	6,080	6,943	+ 863
Current account balance	- 247	- 625	- 378	- 710	- 734	- 24
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted)	615	580	- 35	301	296	- 5
Merchandise imports (adjusted)	340	405	+ 65	187	246	+ 59
Balance on merchandise trade	+ 275	+ 175	- 100	+ 114	+ 50	- 64
Other current receipts	176	190	+ 14	95	109	+ 14
Other current payments	203	224	+ 21	90	111	+ 21
Balance on non-merchandise transactions	- 27	- 34	- 7	+ 5	- 2	- 7
Total receipts	791	770	- 21	396	405	+ 9
Total payments	543	629	+ 86	277	357	+ 80
Current account balance	+ 248	+ 141	- 107	+ 119	+ 48	- 71
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted)	473	576	+ 103	755	697	- 58
Merchandise imports (adjusted)	421	494	+ 73	563	674	+ 111
Balance on merchandise trade	+ 52	+ 82	+ 30	+ 192	+ 23	- 169
Other current receipts	130	134	+ 4	136	134	- 2
Other current payments	280	307	+ 27	134	146	+ 12
Balance on non-merchandise transactions	- 150	- 173	- 23	+ 2	- 12	- 14
Total receipts	603	710	+ 107	891	831	- 60
Total payments	701	801	+ 100	697	820	+ 123
Current account balance	- 98	- 91	+ 7	+ 194	+ 11	- 183

Note: Omission of items A7 and B7 for inheritances and migrants' funds in the main balance of payments table at the back of this report yields exports and imports of goods and services as published in the National Income and Expenditure Accounts.

Exports and Imports of Goods and Services, Seasonally adjusted, 1967-69

No.		1967				
		I Q	II Q	III Q	IV Q	Year
		millions of dollars				
	<u>Receipts</u>					
1	Merchandise exports (adjusted)	2,836	2,863	2,675	2,964	11,338
2	Gold production available for export	30	29	26	27	112
3	Travel expenditures	244	368	438	268	1,318
4	Interest and dividends	83	58	78	76	295
5	Freight and shipping	204	207	207	212	830
6	Inheritances and migrants' funds	81	85	83	80	329
7	All other transactions	222	214	216	211	863
8	Sub-totals non-merchandise transactions ...	864	961	1,048	874	3,747
9	Totals	3,700	3,824	3,723	3,838	15,085
	<u>Payments</u>					
10	Merchandise imports (adjusted)	2,672	2,757	2,720	2,623	10,772
11	Gold production available for export	-	-	-	-	-
12	Travel expenditures	225	226	217	227	895
13	Interest and dividends	275	292	323	321	1,211
14	Freight and shipping	217	216	212	216	861
15	Inheritances and migrants' funds	51	51	56	55	213
16	All other transactions (including official contributions)	403	448	381	400	1,632
17	Sub-totals, non-merchandise transactions	1,171	1,233	1,189	1,219	4,812
18	Totals	3,843	3,990	3,909	3,842	15,584
	<u>Balance</u>					
19	Merchandise trade (adjusted)	+ 164	+ 106	- 45	+ 341	+ 566
20	Gold production available for export	+ 30	+ 29	+ 26	+ 27	+ 112
21	Travel expenditures	+ 19	+ 142	+ 221	+ 41	+ 423
22	Interest and dividends	- 192	- 234	- 245	- 245	- 916
23	Freight and shipping	- 13	- 9	- 5	- 4	- 31
24	Inheritances and migrants' funds	+ 30	+ 34	+ 27	+ 25	+ 116
25	All other transactions (including official contributions)	- 181	- 234	- 165	- 189	- 769
26	Sub-totals, non-merchandise transactions	- 307	- 272	- 141	- 345	- 1,065
27	Totals	- 143	- 166	- 186	- 4	- 499

Exports and Imports of Goods and Services, Seasonally adjusted, 1967-69

1968					1969		No.
I Q	II Q	III Q	IV Q	Year	I Q	II Q	
millions of dollars							
3,268	3,361	3,334	3,575	13,538	3,748	3,611	1
31	28	32	29	120	29	29	2
241	257	252	242	992	275	278	3
71	85	94	81	331	97	124	4
220	223	222	229	894	230	230	5
77	90	109	94	370	87	90	6
211	219	221	224	875	217	225	7
851	902	930	899	3,582	935	976	8
4,119	4,263	4,264	4,474	17,120	4,683	4,587	9
2,967	2,908	3,007	3,280	12,162	3,484	3,455	10
-	-	-	-	-	-	-	11
240	239	278	258	1,015	290	321	12
321	337	336	296	1,290	338	346	13
228	232	232	245	937	244	248	14
56	58	48	47	209	53	54	15
385	397	418	418	1,618	400	409	16
1,230	1,263	1,312	1,264	5,069	1,325	1,378	17
4,197	4,171	4,319	4,544	17,231	4,809	4,833	18
+ 301	+ 453	+ 327	+ 295	+ 1,376	+ 264	+ 156	19
+ 31	+ 28	+ 32	+ 29	+ 120	+ 29	+ 29	20
+ 1	+ 18	- 26	- 16	- 23	- 15	- 43	21
- 250	- 252	- 242	- 215	- 959	- 241	- 222	22
- 8	- 9	- 10	- 16	- 43	- 14	- 18	23
+ 21	+ 32	+ 61	+ 47	+ 161	+ 34	+ 36	24
- 174	- 178	- 197	- 194	- 743	- 183	- 184	25
- 379	- 361	- 382	- 365	- 1,487	- 390	- 402	26
- 78	+ 92	- 55	- 70	- 111	- 126	- 246	27

TABLE 2. Annual Estimates of the Canadian Balance of International Payments, 1966 and 1967

Account		All countries		United States		United Kingdom		Other sterling area		Other OECD (Europe)		All other countries	
		1966	1967 ^P	1966	1967 ^P	1966	1967 ^P	1966	1967 ^P	1966	1967 ^P	1966	1967 ^P
No.		millions of dollars											
A	Current receipts:												
1	Merchandise exports (adjusted)	10,326	11,338	6,249	7,277	1,133	1,199	576	642	893	909	1,475	1,311
2	Mutual Aid to NATO countries	18	20	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	127	112	127	112	..	..	..	..	..	..	..	..
4	Travel expenditures	840	1,318	730	1,164	39	40	12	18	36	58	23	3
5	Interest and dividends	318	295	194	176	32	36	54	53	9	8	29	2
6	Freight and shipping	758	830	411	425	121	127	43	58	76	89	107	13
7	Inheritances and immigrants' funds	268	329	106	105	81	81	24	61	40	58	17	2
11	All other current receipts	759	863	484	548	113	125	29	41	70	86	63	6
12	Total current receipts	13,414	15,105	8,301	9,807	1,519	1,608	738	873	1,124	1,208	1,714	1,581
B	Current payments:												
1	Merchandise imports (adjusted)	10,102	10,772	7,242	7,846	664	651	449	434	821	843	926	99
4	Travel expenditures	900	895	628	627	94	88	29	43	120	105	29	3
5	Interest and dividends	1,140	1,211	985	1,058	93	90	1	1	58	58	3	..
6	Freight and shipping	823	861	530	522	89	164	11	12	101	119	92	10
7	Inheritances and emigrants' funds	198	213	145	156	30	31	4	5	13	12	6	..
9	Official contributions	166	182	..	..	..	..	142	156	1	2	23	2
10	Mutual Aid to NATO countries	18	20	..	..	..	..	..	..	..	..	..	..
11	All other current payments	1,229	1,450	801	940	124	132	33	41	195	222	76	11
12	Total current payments	14,576	15,604	10,331	11,149	1,094	1,096	669	692	1,309	1,361	1,155	1,281
C	Current account balance:												
1	Merchandise trade	+ 224	+ 566	- 993	- 569	+469	+548	+127	+208	+ 72	+ 66	+549	+31
2	Other transactions, excluding B9	-1,220	- 883	-1,037	- 773	- 44	- 36	+ 84	+129	-256	-217	+ 33	+ 1
3	Official contributions	- 166	- 182	..	..	..	..	-142	-156	- 1	- 2	- 23	- 2
4	Totals	-1,162	- 499	-2,030	-1,342	+425	+512	+ 69	+181	-185	-153	+559	+30
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 790	+ 691	+ 718	+ 575	- 10	+ 12	+ 9	+ 21	+ 59	+ 64	+ 14	+ 19
2	Direct investment abroad	- 5	- 125	+ 87	- 72	- 22	+ 20	- 46	- 54	- 22	- 28	- 2	+ 1
	Canadian securities:												
3.1	Trade in outstanding bonds and debentures	- 104	- 57	- 72	- 63	- 12	- 3	..	+ 3	- 2	- 3	- 18	+ 1
3.2	Trade in outstanding common and preference stocks	- 136	+ 12	- 95	+ 77	- 25	- 56	..	..	- 16	- 9	..	..
4	New issues	+1,465	+1,307	+1,409	+1,239	+ 36	+ 41	..	..	+ 20	+ 27	..	..
5	Retirements	- 499	- 357	- 456	- 301	- 16	- 20	..	..	- 27	- 36	..	..
6,7,8	Foreign securities	- 401	- 432	- 371	- 385	- 5	- 27	+ 1	+ 1	- 11	+ 2	- 15	- 2
	Loans and capital subscriptions by Government of Canada:												
9	Advances, etc.	- 35	- 38	..	..	..	..	- 11	- 22	..	..	- 24	- 10
10	Repayments to Canada	+ 24	+ 34	..	..	+ 19	+ 19	+ 3	+ 13	+ 2	+ 2	..	..
11	Columbia River Treaty, net	+ 32	+ 44	+ 32	+ 44	..	..	..	..	..	..	..	..
13	Long-term capital transactions n.i.e.	+ 36	+ 268	+ 80	+ 130	- 5	- 16	- 22	- 29	+ 27	+ 63	- 44	+12
	Change in Canadian dollar holdings of foreigners:												
14.1	Deposits	+ 11	+ 24	+ 17	+ 3	+ 4	- 8	+ 3	+ 17	- 5	+ 9	- 8	+ 1
14.2	Government of Canada demand liabilities	+ 5	- 4	- 1	..	..	..	..	..	..	..	+ 6	..
14.3	Canadian treasury bills	- 15	+ 4	- 1	- 5	+ 1	+ 2	..	+ 9	..	+ 1	- 15	..
17	Other capital movements	- 365	- 854	- 439	- 942	+135	- 66	+ 11	+ 69	- 50	+ 86	- 22	..
E	Net capital movement (excluding monetary items shown below) in:												
1	Long-term forms (D 1 to D 13)	+1,167	+1,347	+1,332	+1,244	- 40	- 30	- 66	- 67	+ 30	+ 82	- 89	+11
2	Short-term forms (D14 to D 17)	- 364	- 830	- 424	- 944	+140	- 72	+ 14	+ 95	- 55	+ 96	- 39	..
3	Totals	+ 803	+ 517	+ 908	+ 300	+100	-102	- 52	+ 28	- 25	+178	-128	+11
G	Balance settled by exchange transfers	-	-	+ 639	+1,026	-504	-432	- 17	-209	+210	- 25	-328	-36
H	Official monetary movements in the form of:												
C+E+G	Change in official holdings of gold and foreign exchange	- 462	+ 34	- 483	- 16	+ 21	- 22	..	..	..	..	..	+ 7
2	Change in net International Monetary Fund position	+ 103	- 16	..	..	..	..	..	..	..	..	+103	- 1
3	Reciprocal swap facility with Federal Reserve System .....	..	..	..	..	..	..	..	..	..	..	..	..

Notes:

Data supersede those published in the last annual report on "The Canadian Balance of International Payments, and International Investment Position and previous quarterly publications (Catalogue Nos. 67-201 and 67-001).

A2, B 10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.

D A minus sign indicates an outflow of capital from Canada.

D 17 Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

p Preliminary estimate.

TABLE 3. Quarterly Estimates of the Canadian Balance of International Payments, 1966 and 1967
BETWEEN CANADA AND THE UNITED STATES

No.	Account	1966				1967 ^P			
		I	II	III	IV	I	II	III	IV
		millions of dollars							
A	Current receipts:								
1	Merchandise exports (adjusted)	1,353	1,601	1,542	1,753	1,646	1,852	1,740	2,039
3	Gold production available for export	34	29	32	32	32	28	26	26
4	Travel expenditures	64	155	403	108	71	301	647	145
5	Interest and dividends	46	45	36	67	52	28	38	58
6	Freight and shipping	78	103	116	114	85	108	116	116
7	Inheritances and immigrants' funds	17	27	38	24	18	25	39	23
11	All other current receipts	121	121	124	118	134	137	141	136
12	Total current receipts	1,713	2,081	2,291	2,216	2,038	2,479	2,747	2,543
B	Current payments:								
1	Merchandise imports (adjusted)	1,646	1,927	1,685	1,984	1,877	2,162	1,839	1,968
4	Travel expenditures	141	172	212	103	141	181	200	105
5	Interest and dividends	205	218	193	369	213	237	243	365
6	Freight and shipping	101	140	149	140	104	140	140	138
7	Inheritances and emigrants' funds	29	32	41	43	35	35	43	43
9	Official contributions	—	—	—	—	—	—	—	—
11	All other current payments	181	197	202	221	231	232	234	243
12	Total current payments	2,303	2,686	2,482	2,860	2,601	2,987	2,699	2,862
C	Current account balance:								
1	Merchandise trade	- 293	- 326	- 143	- 231	- 231	- 310	- 99	+ 71
2	Other transactions, excluding B 9	- 297	- 279	- 48	- 413	- 332	- 198	+ 147	- 390
3	Official contributions	—	—	—	—	—	—	—	—
4	Totals	- 590	- 605	- 191	- 644	- 563	- 508	+ 48	- 319
D	Capital account:								
	Direct investment:								
1	Direct investment in Canada	+ 111	+ 182	+ 130	+ 295	+ 140	+ 161	+ 130	+ 144
2	Direct investment abroad	- 13	+ 4	+ 107	- 11	- 9	+ 4	- 20	- 47
	Canadian securities:								
3.1	Trade in outstanding bonds and debentures	- 8	- 30	- 22	- 12	- 15	- 26	- 9	- 13
3.2	Trade in outstanding common and preference stocks	- 5	- 31	- 28	- 31	- 22	+ 2	+ 46	+ 51
4	New issues	+ 555	+ 349	+ 289	+ 216	+ 300	+ 281	+ 266	+ 392
5	Retirements	- 106	- 158	- 80	- 112	- 54	- 118	- 48	- 81
6,7,8	Foreign securities	- 61	- 118	- 106	- 86	- 52	- 65	- 137	- 131
	Loans and capital subscriptions by Government of Canada:								
9	Advances, etc.	—	—	—	—	—	—	—	—
10	Repayments to Canada	—	—	—	—	—	—	—	—
11	Columbia River Treaty, net	—	—	—	+ 32	—	—	—	+ 44
13	Long-term capital transactions n.i.e.	+ 35	+ 51	+ 32	- 38	+ 47	- 35	+ 78	+ 40
	Change in Canadian dollar holdings of foreigners:								
14.1	Deposits	- 3	- 6	+ 20	+ 6	+ 57	- 68	- 2	+ 16
14.2	Government of Canada demand liabilities	- 1	—	—	—	—	—	—	—
14.3	Canadian treasury bills	- 7	+ 2	+ 3	+ 1	- 3	—	- 3	+ 1
17	Other capital movements	+ 5	- 21	- 321	- 102	- 17	- 92	- 544	- 289
	Net capital movement (excluding monetary items shown below) in:								
1	Long-term forms (D 1 to D 13)	+ 508	+ 249	+ 322	+ 253	+ 335	+ 204	+ 306	+ 399
2	Short-term forms (D 14 to D 17)	- 6	- 25	- 298	- 95	+ 37	- 160	- 549	- 272
3	Totals	+ 502	+ 224	+ 24	+ 158	+ 372	+ 44	- 243	+ 127
	Balance settled by exchange transfers	- 78	+ 200	+ 35	+ 482	+ 177	+ 427	+ 233	+ 189
+E+G	Official monetary movements in the form of:								
1	Change in official holdings of gold and foreign exchange	- 166	- 181	- 132	- 4	- 14	- 37	+ 38	- 3
2	Change in net International Monetary Fund position	—	—	—	—	—	—	—	—
3	Reciprocal swap facility with Federal Reserve System	—	—	—	—	—	—	—	—

^P Preliminary estimate.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are mostly final.

No.		1967				1968
		I	II	III	IV	I
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,596	3,003	2,691	3,048	3,017
3	Gold production available for export	32	28	26	26	33
4	Travel expenditures	82	347	723	166	79
5	Interest and dividends	71	53	64	107	61
6	Freight and shipping	178	212	218	222	192
7	Inheritances and immigrants' funds	59	93	104	73	55
11	All other current receipts	226	214	215	208	214
12	Total current receipts	3,244	3,950	4,041	3,850	3,651
B	Current payments:					
1	Merchandise imports (adjusted)	2,481	2,975	2,591	2,725	2,754
4	Travel expenditures	196	246	298	155	209
5	Interest and dividends	251	267	280	413	293
6	Freight and shipping	183	226	227	225	193
7	Inheritances and emigrants' funds	42	47	65	59	47
9	Official contributions	52	80	21	29	14
11	All other current payments	352	378	359	361	369
12	Total current payments	3,557	4,219	3,841	3,967	3,879
C	Current account balance:					
1	Merchandise trade	+ 115	+ 28	+ 100	+ 323	+ 263
2	Other transactions, excluding B 9	- 376	- 217	+ 121	- 411	- 477
3	Official contributions	- 52	- 80	- 21	- 29	- 14
4	Total	- 313	- 269	+ 200	- 117	- 228
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 154	+ 186	+ 166	+ 185	+ 57
2	Direct investment abroad	- 37	- 16	- 34	- 38	- 66
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	- 10	- 23	- 10	- 14	- 52
3.2	Trade in outstanding common and preference stocks	- 53	- 16	+ 29	+ 52	+ 15
4	New issues	+ 315	+ 292	+ 276	+ 424	+ 407
5	Retirements	- 59	- 151	- 49	- 98	- 124
6,7,8	Foreign securities	- 77	- 73	- 144	- 138	- 89
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	- 3	- 3	- 9	- 23	- 10
10	Repayments to Canada	+ 11	+ 2	+ 1	+ 20	+ 2
11	Columbia River Treaty, net	-	-	-	+ 44	-
13	Long-term capital transactions n.i.e.	+ 39	+ 49	+ 87	+ 93	+ 29
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	+ 48	- 59	+ 7	+ 28	+ 8
14.2	Government of Canada demand liabilities	- 6	- 7	- 2	+ 11	- 4
14.3	Canadian treasury bills	+ 15	+ 8	- 17	- 2	+ 23
17	Other capital movements	- 37	+ 26	- 445	- 398	- 733
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 280	+ 247	+ 313	+ 507	+ 169
2	Short-term forms (D14 to D17)	+ 20	- 32	- 457	- 361	- 706
3	Total	+ 300	+ 215	- 144	+ 146	- 537
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	- 35	- 37	+ 55	+ 51	- 23
2	Change in net International Monetary Fund position	+ 22	- 17	+ 1	- 22	- 471
3	Reciprocal swap facility with Federal Reserve System	-	-	-	-	- 271

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are mostly final.

1968			1969		Annual totals		Four quarters ended June 30, 1969	No.
II	III	IV	I	II	1967	1968		
millions of dollars								
3,512	3,342	3,667	3,469	3,805	11,338	13,538	14,283	A
27	32	28	31	28	112	120	119	1
235	548	130	90	260	1,318	992	1,028	3
78	78	114	83	114	295	331	389	4
229	234	239	201	236	830	894	910	5
99	131	85	62	100	329	370	378	6
220	220	221	220	226	863	875	887	7
4,400	4,585	4,484	4,156	4,769	15,085	17,120	17,994	11
								12
3,140	2,859	3,409	3,226	3,708	10,772	12,162	13,202	B
258	375	173	260	346	895	1,015	1,154	1
314	297	386	309	320	1,211	1,290	1,312	4
243	247	254	207	260	861	937	968	5
54	57	51	44	50	213	209	202	6
40	50	29	16	48	182	133	143	7
370	367	379	380	376	1,450	1,485	1,502	9
4,419	4,252	4,681	4,442	5,108	15,584	17,231	18,483	11
								12
+ 372	+ 483	+ 258	+ 243	+ 97	+ 566	+ 1,376	+ 1,081	C
- 351	- 100	- 426	- 513	- 388	+ 883	- 1,354	- 1,427	1
- 40	- 50	- 29	- 16	- 48	- 182	- 133	- 143	2
- 19	+ 333	- 197	- 286	- 339	- 499	- 111	- 489	3
								4
+ 210	+ 160	+ 183	+ 120	+ 260	+ 691	+ 610	+ 723	D
+ 17	- 9	- 77	- 55	- 110	- 125	- 135	- 251	1
- 11	- 13	+ 7	+ 17	- 6	- 57	- 69	+ 5	2
+ 34	+ 10	+ 53	+ 37	+ 44	+ 12	+ 112	+ 144	3.1
+ 708	+ 452	+ 366	+ 653	+ 492	+ 1,307	+ 1,933	+ 1,963	3.2
- 120	- 37	- 114	- 69	- 101	- 357	- 395	- 321	4
- 129	- 132	- 118	- 58	- 7	- 432	- 468	- 315	5
- 8	- 16	- 44	- 11	- 43	- 38	- 78	- 114	6,7,8
+ 2	+ 1	-	-	+ 2	+ 34	+ 5	+ 3	9
-	-	+ 88	-	-	+ 44	+ 88	+ 88	10
+ 20	- 74	+ 12	- 86	- 41	+ 268	- 13	- 189	11
+ 4	+ 4	+ 54	- 11	+ 25	+ 24	+ 70	+ 72	13
- 3	+ 1	+ 27	- 2	- 30	- 4	+ 21	- 4	14.1
+ 1	+ 11	+ 13	+ 13	- 5	+ 4	+ 48	+ 32	14.2
- 86	- 530	+ 84	- 299	- 200	- 854	- 1,265	- 945	14.3
								17
+ 723	+ 342	+ 356	+ 548	+ 490	+ 1,347	+ 1,590	+ 1,736	E
- 84	- 514	+ 178	- 299	- 210	- 830	- 1,126	- 845	1
+ 639	- 172	+ 534	+ 249	+ 280	+ 517	+ 464	+ 891	2
								3
+ 355	- 43	+ 315	- 53	- 168	+ 34	+ 604	+ 51	H = C+E
+ 130	+ 70	+ 22	+ 16	+ 109	- 16	- 249	+ 217	1
+ 135	+ 134	-	-	-	-	- 2	+ 134	2
								3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

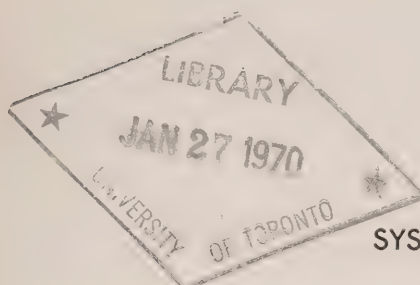
D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

CATALOGUE No.

67-001

QUARTERLY



SYSTEM OF NATIONAL ACCOUNTS

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER 1969

Contains statistics of Canada's international investment position at the end of 1966.

Published by Authority of
The Minister of Industry, Trade and Commerce

DOMINION BUREAU OF STATISTICS

Balance of Payments and Financial
Flows Division

Balance of Payments Section

December 1969
2306-502

Price: 50 cents
\$2.00 a year

Vol. 17—No. 3

The basic historical record of the Canadian quarterly Balance of Payments with all countries (including bilateral transactions) may be obtained from the following publications.

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information	1.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1967" revised 1965 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1969" for revised bilateral data for 1966 and 1967 and for revised global data for 1968 .....	.50

Note: Additional subsidiary detail published regularly may be traced through the successive quarterly reports.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER 1969

Following the usual seasonal pattern Canada, in the third quarter, recorded a current account surplus from its transactions with the rest of the world which at \$140 million reflected a swing of \$465 million from the \$325 million deficit of the previous quarter. The improvement in the merchandise trade surplus to \$366 million together with the swing in the travel account balance to a surplus of \$117 million were the principal factors responsible for this change.

Summary Statement

	1967	1968	1968		1969		
			III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
Merchandise trade balance	+ 566	+ 1,376	+ 483	+ 258	+ 243	+ 97	+ 366
Balance on non-merchandise transactions	- 1,065	- 1,487	- 150	- 455	- 508	- 422	- 226
Current account balance	- 499	- 111	+ 333	- 197	- 265	- 325	+ 140
Capital movements in long-term forms ..	+ 1,347	+ 1,590	+ 360	+ 356	+ 549	+ 481	+ 605
Capital movements in short-term forms	- 830	- 1,126	- 532	+ 178	- 321	- 215	- 749
Net capital movement(1)	+ 517	+ 464	- 172	+ 534	+ 228	+ 266	- 144
Official monetary movements(2)	+ 18	+ 353	+ 161	+ 337	- 37	- 59	- 4

(1) Excluding items in final line.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

Capital movements led to a net outflow of \$144 million, a change of \$410 million from the second quarter inflow of \$266 million. Capital movements in long-term forms at \$605 million were 25 per cent above the second quarter level mainly due to a faster rate of increase in foreign holdings of Canadian securities (largely new bond issues), a net decrease in Canadian holdings of foreign securities and smaller outflows to augment Canadian direct investment abroad. Partially offsetting these changes was a decline in the inflow for foreign direct investment in Canada. Capital movements in short-term forms led to a net outflow of \$749 million some \$534 million more than in the second quarter. Recorded outflows to increase Canadian holdings of bank balances and other short-term funds abroad, although substantial, were down sharply from the record second quarter level. This change was, however, overshadowed by the \$710 million swing in the balance for "all other transactions".

Official net monetary assets fell by \$4 million compared with a drop of \$59 million in the second quarter of 1969. Holdings of monetary gold and foreign exchange declined by \$91 million while Canada's net asset position with the International Monetary Fund improved by \$87 million.

The slow rate of growth of the Canadian economy evident in the second quarter of 1969 quickened slightly in the period under review as investment demand by business and export performance both turned stronger. High levels of demand and inflationary pressures continued to be of concern both in Canada and its main trading partners resulting in increased tightness in monetary conditions. Interest rates reached new peaks with Euro-dollar rates, the main international short-term interest rate remaining about 11 per cent throughout the quarter. Speculation about the par values of the French franc and especially the deutsche mark led to massive movements of funds with the impact carried over into the fourth quarter as the deutsche mark was allowed to float over the end of the third quarter.

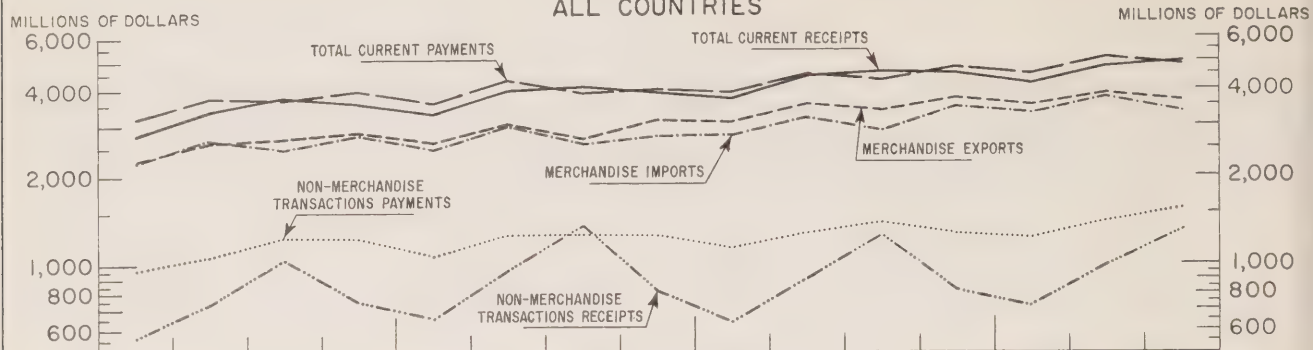
Merchandise Trade

Merchandise exports in the first nine months of 1969 rose to \$10,956 million some 11 per cent over those in the same period of 1968 while merchandise imports, increasing at a faster rate, rose by

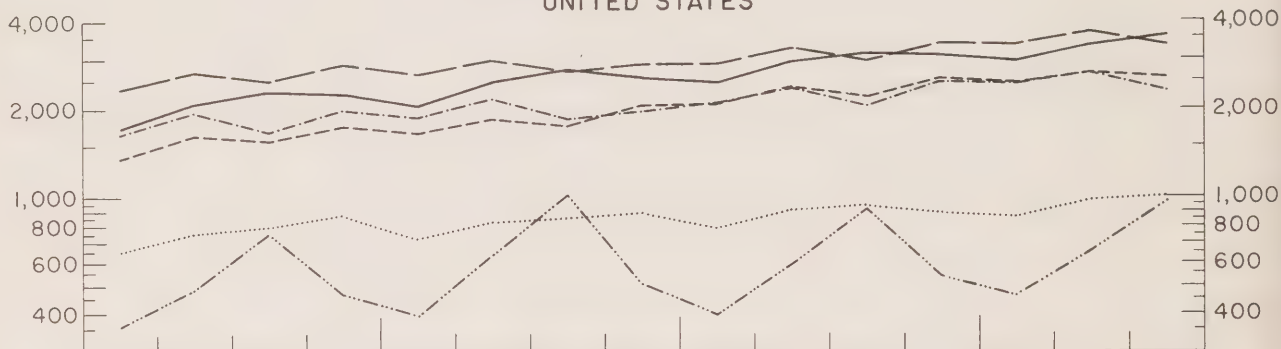
CURRENT ACCOUNT TRANSACTIONS

(Semi-Logarithmic Scale)

ALL COUNTRIES



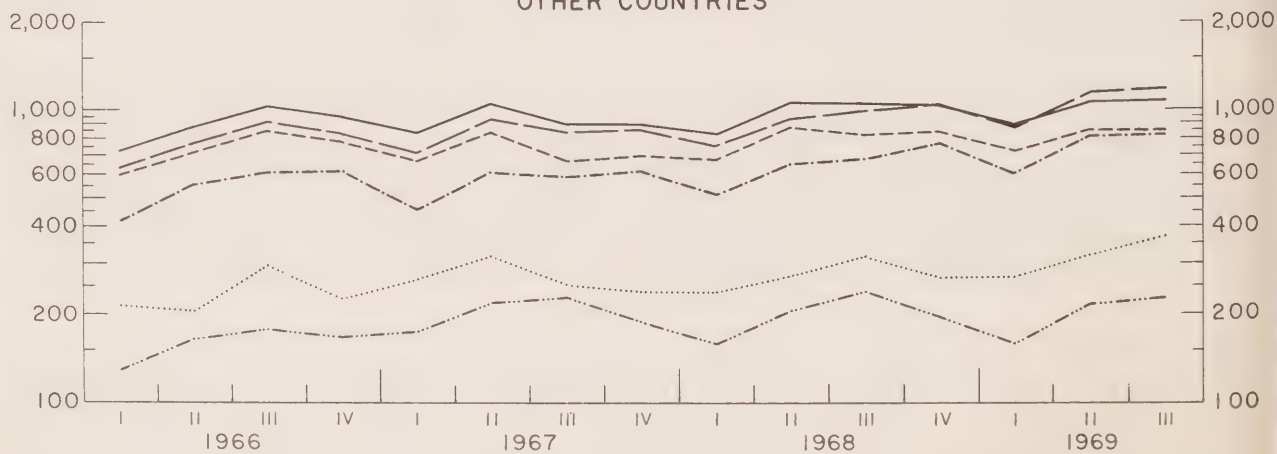
UNITED STATES



UNITED KINGDOM



OTHER COUNTRIES



17 per cent to \$10,250 million. The trade surplus in this period therefore declined to \$706 million from \$1,118 million in the corresponding period of 1968. Export demand, although moderated by tight monetary and fiscal restrictions in the United States, continued strong, with the increase in exports accruing largely to the end products group of commodities. External factors such as strikes or the threat of strikes which affected foreign sales of crude and fabricated materials in 1968 were not as evident in 1969, however there were long work stoppages this year in the domestic iron ore, copper, nickel and steel industries which affected the marketing of these commodities. At \$1,807 million, exports of crude materials were almost unchanged from the 1968 level, while exports of fabricated materials at \$3,857 million although increasing by \$240 million grew at less than half the rate of the previous year; within these two groups of commodities there were reduced exports of iron ore, fabricated iron and steel, copper and fabricated nickel amounting to \$250 million. Shipments of wheat in the first three quarters of 1969 were \$182 million below those in the same period in 1968 with half of this decline concentrated in sales to the U.S.S.R. and China. The main gains were in exports of commodities in the end products group which increased by 30 per cent to over \$3,896 million. More than 83 per cent of the increase was due to increased exports of motor vehicles, engines and parts which rose by about 42 per cent to \$2,567 million (before adjustment for balance of payments purposes). There were increased exports to the United States, France, West Germany, Norway, Japan, Argentina, and Brazil and reductions to the United Kingdom, U.S.S.R., India, China, Australia and Venezuela.

The increase in imports was the result of various factors. Improved export capability by some of Canada's main suppliers of imports, continental rationalization notably in the automobile industry involving an expansion of both imports and exports, tight capacity in Canada due to labour disputes leading to a decline in self-sufficiency particularly in the steel industry, the accelerated implementation of the tariff cuts agreed to under the Kennedy Round and a number of cyclical developments contributed to the expansion of imports. Besides motor vehicles, engines and parts imports, which increased by 27 per cent to about \$2,636 million (before adjustment for balance of payments purposes), there were increased imports of meat and raw sugar, aluminum ores, chemicals, fabricated iron and steel, copper and nickel alloys, machinery, communication equipment and computers. Imports from the United States, the United Kingdom, France, West Germany, Italy, Japan, Australia, Libya, Nigeria, Jamaica and Mexico increased, while imports from the U.S.S.R., Saudi Arabia, Ghana and Trinidad and Tobago were reduced.

Balance of payments adjustments to recorded trade figures in the third quarter of 1969 amounted to a net addition of less than \$1 million to exports mainly resulting from offsets in respect of progress payments on aircraft and adjustments to reflect automobile interplant selling prices, and a net deduction from recorded imports of \$32.8 million mainly on account of progress payments on aircraft and ships and automobile interplant selling price and special tooling adjustments. The net effect of these adjustments to exports and imports is therefore to increase the trade surplus by \$33.6 million.

In the first nine months of 1969 average export prices were about 4 1/2 per cent above the average for the same period in 1968. Prices of crude materials and fabricated materials increased by about 4 and 5 1/2 per cent respectively; prices of end products increased by about 3 per cent. The over-the-year increase in import prices, on the other hand was about 3 per cent. The largest increase was 4 per cent in the crude materials group, which was followed by an increase of about 3 1/2 per cent in the fabricated materials group and about 2 1/2 per cent in the end products group.

Non-merchandise Transactions

The deficit on non-merchandise transactions in the first three quarters of 1969 amounted to \$1,156 million, some 12 per cent above the deficit in the same period last year. Receipts rose by 9 per cent to \$3,021 million but payments increased by 10 per cent to \$4,177 million leading to an increase of \$124 million in the deficit. This deterioration resulted mainly from increases of \$159 million and \$21 million in the deficits on travel expenditures and on freight and shipping transactions respectively which were only partly offset by reductions of \$36 million and \$33 million in the deficits on interest and dividends and all other current transactions respectively. With travel receipts increasing by 8 per cent to \$935 million and travel payments rising to \$1,074 million, the travel account moved from a surplus of \$20 million in the first three quarters of 1968 to a deficit of \$139 million in the same period of this year. The sharp increase in Canadians travelling outside the country raised overseas expenditures by Canadians by 27 per cent to \$327 million and expenditures of Canadians travelling in the United States by 28 per cent to \$747 million.

The net balance from receipts and payments of interest and dividends improved from a deficit of \$687 million in the first nine months of 1968 to \$651 million in the corresponding period of 1969. This net improvement of \$36 million was accounted for by an increase of \$60 million in income receipts which was partially offset by a \$24 million rise in income payments. Interest receipts contributed

Travel Expenditures

	First nine months			Change in 1969
	1967	1968	1969	
millions of dollars				
United States:				
Receipts ...	1,019	771	842	+ 71
Payments ...	522	585	747	+ 162
Balance	+ 497	+ 186	+ 95	- 91
Overseas:				
Receipts ...	133	91	93	+ 2
Payments ...	218	257	327	+ 70
Balance	- 85	- 166	- 234	- 68
All countries:				
Receipts ...	1,152	862	935	+ 73
Payments ...	740	842	1,074	+ 232
Balance	+ 412	+ 20	- 139	- 159

Interest and Dividends: Payments

Period	Total	Interest	Dividends
millions of dollars			
1967	1,211	471	740
1968	1,290	548	742
1968 I Q ...	293	122	171
II Q ...	314	144	170
III Q ...	297	122	175
IV Q ...	386	160	226
1969 I Q ...	309	142	167
II Q ...	320	174	146
III Q ...	299	151	148

\$31 million and dividend receipts \$29 million to the total increase in income receipts. Net income on official holdings of foreign exchange continued to be an important element in interest receipts. In spite of a slight dip in dividend receipts in the third quarter of 1969, the nine months total for 1969 registered an increase due to larger remittances by foreign subsidiaries to their Canadian parent companies in the second quarter of 1969. Income payments rose by \$24 million to \$928 million; this change was accounted for by a rise of \$79 million in interest payments offset to a large extent by a \$55 million decline in dividend payments and branch profits. Decrease profits of branch operations of foreign companies in the second and third quarters of 1969 were chiefly responsible for this decline as strikes in a key sector of the economy exerted an unfavourable impact on earnings. Interest payments increased to \$467 million following large United States and OECD (Europe) purchases in 1968 and early 1969 of new bond issues of corporations and all levels of government. The net balance from receipts and payments of interest and dividends accounted for about 56 per cent of the deficit on non-merchandise transactions, some 11 percentage points lower than the corresponding proportion for 1968.

The freight and shipping account reflecting the movements on merchandise trade moved from a deficit of \$28 million in the first three quarters of 1968 to a deficit of \$49 million in the same period of 1969. Freight and shipping receipts increased by about 4 per cent to \$680 million while payments increased by about 7 per cent to \$729 million. There was a small decline of \$3 million in the surplus on migrants' funds and inheritances due to a fall of some 12 per cent in the number of immigrants to Canada which was partly offset by an increase in per capita funds transferred by immigrants.

Balances on Principal Non-merchandise Transactions

	First nine months			Change in 1969
	1967	1968	1969	
	millions of dollars			
Gold production available for export	+ 86	+ 92	+ 88	- 4
Travel expenditures	+ 412	+ 20	- 139	- 159
Interest and dividends	- 610	- 687	- 651	+ 36
Freight and shipping	- 28	- 28	- 49	- 21
Inheritances and migrants' funds	+ 102	+ 127	+ 124	- 3
Official contributions	- 153	- 104	- 110	- 6
All other current transactions	- 434	- 452	- 419	+ 33
Balance on non-merchandise transactions	- 625	- 1,032	- 1,156	- 124

Official contributions in donations of commodities, services and cash grants, in the January-September period of 1969 increased by 6 per cent to \$110 million from \$104 million in the corresponding period in 1968. While international economic and technical assistance increased there was a marginal decrease in the international food aid program.

The deficit on all other current transactions fell by \$33 million to \$419 million. Receipts rose by about 18 per cent to \$770 million due mainly to an increase from miscellaneous income transactions of about \$92 million. Payments were up by about 8 per cent to \$1,189 million, again mainly due to an increase in miscellaneous income transactions amounting to \$51 million. All other transactions including government receipts and payments, personal and institutional remittances and business services led to an \$8 million net increase in the deficit.

Current Account Transactions in the Third Quarter - Seasonally Adjusted

After removal of seasonal variations the current account deficit decreased in the third quarter to \$143 million from \$232 million in the second quarter, reversing the trend towards larger deficits which had taken place in the previous four quarters. Total receipts increased by about 3 per cent to \$4,747 million following a reduction in the last quarter, while total payments increased by less than 1 per cent to \$4,890 million. The merchandise trade surplus which had also recorded a decline in the previous four quarters, doubled to \$312 million from \$156 million in the second quarter of 1969. However, the deficit on non-merchandise transactions widened by 17 per cent to \$455 million as against increases of only 1 per cent and 5 per cent in the previous two quarters.

Balances on Current Transactions, Seasonally Adjusted

	Merchandise balance	Balance on non- merchandise transactions	Current account balance (1)
	millions of dollars		
1968			
I Q	+ 301	- 379	- 78
II Q	+ 453	- 361	+ 92
III Q	+ 327	- 382	- 55
IV Q	+ 295	- 365	- 70
Year	+ 1,376	- 1,487	- 111
1969			
I Q	+ 264	- 369	- 105
II Q	+ 156	- 388	- 232
III Q	+ 312	- 455	- 143

(1) Exports of goods and services as published in the National Income and Expenditure Accounts exclude inheritances and immigrants' funds and personal and institutional remittances. Imports of goods and services include withholding tax and exclude inheritances and emigrants' funds, personal and institutional remittances, official contributions and pension payments.

Note: Details of current account items, seasonally adjusted, may be found on page 33.

Seasonally adjusted at quarterly rates, merchandise exports increased by over 4 per cent to \$3,776 million while merchandise imports increased only fractionally to \$3,464 million. The significant changes in the seasonally adjusted balances of the invisible items were recorded in travel, interest and dividends and "all other" current transactions which together accounted for almost the whole of the widening of the non-merchandise deficit.

Transactions by Areas

Transactions with the United States in the first three quarters of 1969 produced a current account deficit of \$460 million, a reduction of \$94 million from the deficit in the same period of 1968. Total receipts from the United States increased by 15 per cent to \$9,773 million while total payments rose by 13 per cent to \$10,233 million. At \$7,687 million, merchandise exports were 17 per cent above the exports in the first nine months of 1968; merchandise imports at \$7,398 million, were about 16 per cent above those in the same period last year. The increase in exports to the United States accounted for about 2 per cent more than the overall increase in exports; the increase in imports from the United States was equivalent to about 67 per cent of the total increase in imports.

The non-merchandise deficit with the United States deteriorated slightly by \$13 million

to \$749 million. A reduction of \$91 million in the surplus on the travel account which fell to \$95 million and an increase of \$9 million in the deficit on freight and shipping were offset to the extent of \$91 million by improved balances on interest and dividends, inheritances and migrants' funds and all other current transactions. Receipts from United States travellers in Canada amounted to over 90 per cent of total travel receipts and travel expenditures by Canadian residents in the United States accounted for about 70 per cent of total Canadian travel expenditures abroad. The reduction in the surplus with the United States on this item amounted to about 60 per cent of the overall deterioration in the travel account. Gold production available for export which is normally credited to the United States account fell by \$4 million to \$88 million.

If the credit representing gold production available for export is excluded, Canada's current account surplus with the United States in the third quarter of 1969 was \$216 million. Capital flows between the two countries led to a net outflow of \$516 million as long-term movements produced a net

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1968	- 421	- 289	+ 156	- 284	- 838
1969	- 389	- 316	+ 245		
United Kingdom:					
1968	+ 122	+ 126	+ 112	+ 89	+ 449
1969	+ 114	+ 54	+ 3		
Other countries:					
1968	+ 71	+ 144	+ 65	- 2	+ 278
1969	+ 10	- 63	- 108		
All countries:					
1968	- 228	- 19	+ 333	- 197	- 111
1969	- 265	- 325	+ 140		

inflow of \$440 million while there was a swing to a short-term capital outflow of \$956 million. In sum these transactions with the United States gave rise in the third quarter to net payments by Canada of \$300 million while the cumulative nine month net outflow was \$243 million.

In the first three quarters of 1969 the current account surplus with the United Kingdom fell by over 50 per cent to \$171 million. Total receipts were reduced by \$35 million to \$1,179 million and total payments rose by \$154 million to \$1,008 million. With exports to the United Kingdom falling by \$87 million and imports rising by \$119 million, the merchandise trade surplus fell by 47 per cent to \$231 million reflecting in part the effect of policies to improve the United Kingdom international payments position and possibly the results of the tariff cuts under the Kennedy Round. In non-merchandise transactions the deficit with the United Kingdom was reduced by \$17 million to \$60 million. Receipts rose by 19 per cent to \$328 million and payments rose by 10 per cent to \$388 million. The largest increase in payments occurred in the travel account with the deficit on this item rising by \$25 million to \$100 million.

Canada's Bilateral Accounts with the United States and the Rest of the World

	1967	1968	1968		1969		
			III Q	IV Q	I Q	II Q	III Q
	millions of dollars						
Transactions with the United States:(1)							
Current account balance	- 1,454	- 958	+ 124	- 312	- 420	- 344	+ 216
Capital movements in long-term forms	+ 1,244	+ 1,084	+ 262	+ 328	+ 340	+ 327	+ 440
Capital movements in short-term forms	- 944	- 1,243	- 734	+ 199	- 143	+ 297	- 956
Totals	- 1,154	- 1,117	- 348	+ 215	- 223	+ 280	- 300
Transactions with the rest of the world:							
Current account balance	+ 843	+ 727	+ 177	+ 87	+ 124	- 9	- 105
Capital movements in long-term forms	+ 103	+ 506	+ 98	+ 28	+ 209	+ 154	+ 165
Capital movements in short-term forms	+ 114	+ 117	+ 202	- 21	- 178	- 512	+ 207
Totals	+ 1,060	+ 1,350	+ 477	+ 94	+ 155	- 367	+ 267
Gold production available for export	+ 112	+ 120	+ 32	+ 28	+ 31	+ 28	+ 29
Official monetary movements(2)	+ 18	+ 353	+ 161	+ 337	- 37	- 59	- 4

(1) Excluding gold production available for export shown separately below.

(2) Change in holdings of monetary gold, foreign exchange and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

Total receipts from the Rest of the Sterling Area rose by about 3 per cent to \$645 million while total payments rose by about 26 per cent to \$577 million. The current account surplus with this group of countries fell by about 60 per cent to \$68 million as the merchandise trade surplus dropped to \$56 million from \$149 million in the first three quarters of 1968. Non-merchandise transactions produced a small reduction of \$8 million in the surplus on invisibles which fell to \$12 million.

Current account receipts from the OECD (Europe) group of countries reached a total of \$1,098 million in the first nine months of 1969. This represented an increase of about 14 per cent over the total receipts in the same period last year. About 98 per cent of this rise was due to increased merchandise exports which rose by 17 per cent to \$884 million. There were relatively important increases in exports to France, West Germany and Norway. Total payments to this group of countries rose by about 21 per cent to \$1,346 million with some two thirds of the increase attributable to higher merchandise imports which rose by 23 per cent to \$807 million. With the decline in the trade surplus and a larger deficit on non-merchandise transactions, particularly interest and dividend payments, the current account deficit with the OECD (Europe) countries increased by over 65 per cent to \$248 million.

The current account balance with Other Countries also deteriorated significantly with the surplus falling by about 93 per cent to \$19 million. Total receipts, mainly as a result of a reduction of about 6 per cent in merchandise exports fell by about 5 per cent to \$1,282 million. Total payments, again largely due to an increase of 15 per cent in merchandise imports, rose by about 16 per cent to \$1,263 million. The balance on non-merchandise transactions with other countries changed from a surplus of \$11 million to a deficit of \$34 million.

Total current and capital account transactions by Canada with the United Kingdom and other overseas countries resulted in a net inflow of \$267 million; a return to the trend which had been interrupted by the second quarter outflow of \$367 million. The inflow from capital movements in long-term forms, principally new issues of Canadian securities, continued to be sizeable, however there was also a sharp reversal in recorded short-term capital movements as Canadian holdings of bank balances and other short-term assets overseas were reduced. (This picture might be altered by further information which will shortly be available on Canadian Euro-currency holdings.) Current account transactions, meanwhile, resulted in an enlarged deficit of \$105 million mainly as a result of increased deficits on the travel and interest and dividends accounts.

The \$33 million difference between the net payments to the United States and the smaller net receipts from overseas countries together with the \$29 million of gold production available for export are both reflected in the \$4 million fall in official holdings of monetary gold, foreign exchange and IMF balance.

Capital Movements

Summary

Item	1967	1968	1968		1969		
			III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
Capital movements in long-term forms ..	+ 1,347	+ 1,590	+ 360	+ 356	+ 549	+ 481	+ 605
Capital movements in short-term forms	- 830	- 1,126	- 532	+ 178	- 321	- 215	- 749
Balance on goods and services	- 499	- 111	+ 333	- 197	- 265	- 325	+ 140
Official monetary movements(1)	+ 18	+ 353	+ 161	+ 337	- 37	- 59	- 4

(1) Change in holdings of monetary gold, foreign exchange, and net balance with the International Monetary Fund less reciprocal swap facility with Federal Reserve System.

The net movement of capital between Canada and other countries in the third quarter of 1969 swung to an outflow of \$144 million from a net inflow of \$266 million in the previous quarter. On balance, capital inflows in long-term forms rose by \$124 million while the outflow of short-term capital increased even more sharply rising by \$534 million to \$749 million. With the current account,

influenced by seasonal factors, producing a surplus of \$140 million, the balance of current and capital account transactions led to a \$4 million reduction in official monetary assets.

Sales of Canadian new issues to non-residents at \$563 million continued to be the major factor contributing to the net inflow of long-term capital during the quarter. Inflows for direct investment declined sharply to \$95 million from the unusually high level of the previous quarter while there was an influx from transactions in foreign securities for the first time in almost six years as Canadians reduced their holdings. Sales of new issues are taken into the balance of payments at the time of delivery. The effect of adjusting actual long-term capital inflows to reflect the timing of security offerings is given in the accompanying statement which shows that deliveries were in excess of offerings by over \$150 million during the quarter. However the \$803 million balance of offerings undelivered at the end of the quarter was still exceptionally high.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
	millions of dollars	
1967	+ 1,347	+ 1,599
1968	+ 1,590	+ 2,142
1968 I Q	+ 132	+ 198
II Q	+ 742	+ 660
III Q	+ 360	+ 367
IV Q	+ 356	+ 917
1969 I Q	+ 549	+ 604
II Q	+ 481	+ 455
III Q	+ 605	+ 453

Capital movements in short-term forms gave rise to an enlarged outflow of \$749 million. The reduced outflow of \$233 million to augment Canadian holdings of bank balances and other short-term funds abroad was still a significant factor in the total. However the largest contribution came from movements amounting to a net outflow of \$427 million in the category described as "all other transactions" (which includes changes in loans and accounts receivable and payable as well as transactions which have not yet been identified).

Foreign currency transactions through the Canadian banking system in the third quarter continued to be a particularly important element of short-term capital movements giving rise to a total outflow of \$122 million. While the net spot holdings by the Canadian chartered banks of foreign currency claims on non-residents rose, on a transactions basis, by the \$122 million mentioned above, those on Canadians declined by

\$371 million to produce an overall decrease of \$249 million. Claims on residents of the United States and overseas countries rose by \$276 million and \$227 million respectively while liabilities to these areas decreased by \$56 million and increased by \$437 million respectively. Foreign currency claims on Canadians were increased by \$10 million while liabilities rose by \$381 million. (Swapped deposit liabilities to Canadian residents rose rapidly at the beginning of July to reach a peak of almost \$1,720 million in mid-July when a temporary ceiling on this type of deposit was requested by the Bank of Canada. Following this request these holdings declined erratically to \$1,637 million at the end of September some \$150 million above the level three months earlier.) Thus the net decrease of \$249 million in foreign currency assets reflects an increase in foreign currency assets of \$332 million with residents of the United States and a net decline of \$210 million and \$371 million with residents of overseas countries and Canada respectively. These figures cannot be identified separately in the balance of payments presentation in this report but form elements of several of the items. The chartered banks' net spot foreign currency position was short by \$271 million at the end of the quarter compared with the previous short position of \$22 million at the end of the second quarter. In general, however, the overall foreign currency position of the chartered banks, including forward contracts, tends to be more stable than the spot position alone.

Direct Investment

The net inflow of long-term capital for direct investment in foreign-controlled enterprises in Canada during the third quarter totalled \$95 million. This represented a sharp decline from the second quarter figure of \$245 million which to a large extent reflected the foreign acquisition of two major Canadian enterprises. Most of this quarter's inflow was directed to the manufacturing and finance industries. Approximately half of the inflow came from the United States and most of the remainder from the countries of continental Europe. The net capital outflow for direct investment abroad was also significantly lower than the second quarter's exceptionally high level. Most of this quarter's outflow of \$30 million was attributable to investment by the petroleum industry although there were also smaller outflows from mining, financial and miscellaneous industries. There was a net inflow of capital into manufacturing as a number of Canadian concerns reduced their investments abroad. About four fifths of the net outflow went to the United States.

Security Transactions

Security transactions in the third quarter resulted in a net inflow of \$563 million, or only slightly less than the record inflow of \$570 million registered for the March quarter. This brought the net inflow from international trading in portfolio securities for the first nine months of 1969 to the extremely high level of \$1,543 million. New issues of Canadian securities sold abroad during the quarter produced \$563 million, of which \$408 million came from the United States and \$154 million from continental Europe. Trading in outstanding foreign issues recorded a net inflow of \$67 million, the first in almost six years. Repatriation of outstanding Canadian stocks gave rise to a net outflow of some \$4 million.

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year		1968		1969		
	1967	1968	III Q	IV Q	I Q	II Q	III Q
millions of dollars							
Canadian securities:							
Outstanding - Bonds	- 57	- 69	- 13	+ 7	+ 17	- 6	- 11
Stocks	+ 12	+ 112	+ 10	+ 53	+ 37	+ 44	- 4
New issues	+ 1,307	+ 1,933	+ 452	+ 366	+ 643	+ 506	+ 563
Retirements	- 357	- 395	- 37	- 114	- 69	- 126	- 49
Foreign securities:							
Outstanding issues	- 382	- 425	- 121	- 102	- 49	- 6	+ 67
New issues	- 65	- 70	- 14	- 24	- 11	- 21	- 5
Retirements	+ 15	+ 27	+ 3	+ 8	+ 2	+ 19	+ 2
Totals, all countries	+ 473	+ 1,113	+ 280	+ 194	+ 570	+ 410	+ 563
United States	+ 567	+ 665	+ 143	+ 158	+ 316	+ 267	+ 415
United Kingdom	- 65	- 11	- 2	- 7	+ 18	+ 10	- 8
Other countries	- 29	+ 459	+ 139	+ 43	+ 236	+ 133	+ 156

New Issues of Canadian Bonds Sold to United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
millions of dollars			
1967	1,466	1,214	374
1968	1,907	1,355	926
1968 I Q	399	333	440
II Q	348	430	358
III Q	284	277	365
IV Q	876	315	926
1969 I Q	429	374	981
II Q	259	285	955
III Q	245	397	803

(1) At end of period.

Non-residents' purchases of Canadian new issues increased by \$57 million to a high \$563 million from the second quarter figure of \$506 million. Deliveries of new bonds and debentures rose sharply to \$551 million as borrowings abroad by corporations and provincial governments expanded to \$171 million and \$331 million, respectively. These increases were partially offset by lower sales of other new bonds, particularly of municipal and railway issues which contracted to \$44 million and less than \$1 million respectively. Sales of new issues of Canadian equities, at \$12 million, were also substantially down from the exceptional levels of \$74 million and \$87 million recorded for the first and second quarters. Borrowing by universities, hospitals, and other institutions rose to the very high level of \$25 million, most of which was raised in Germany. In total some \$150 million of Canadian new issues (mainly provincial) were placed in Germany which thus maintained its recently acquired position as Canada's second foreign source of new debt finan-

cing after the United States. (Statistics published by the Deutsche Bundesbank indicate that borrowing by Canada in the German capital market during the first half of 1969 was higher than that of any other nation.) Investment by Canadians in new issues of other countries of \$5 million during the third quarter was the smallest outflow due to transactions in this class of security since the third quarter of 1964.

Trading in outstanding securities resulted in a sales balance of \$52 million with a net inflow of \$67 million from transactions in foreign securities being slightly reduced by a \$15 million outflow from trading in Canadian issues. Geographically \$49 million of the inflow came from the United States and \$7 million from other foreign countries. An outflow of over \$4 million was experienced in trading with the United Kingdom. The outflow for the retirement of Canadian securities held abroad fell to \$49 million from \$126 million in the previous quarter.

Other Capital Movements in Long-term Forms

During the third quarter the Government of Canada made loan disbursements to other governments of \$12 million. Geographically the disbursements, all of which were made under the development loan program, went mainly to Asia. Slightly more than \$2 million went to countries in other parts of the world. In addition Canada made a subscription of almost \$3 million to an international investment agency. There were no repayments of principal on intergovernmental loans outstanding under earlier programs.

Detail of Long-term Capital Transactions n.i.e. Item D13

Year and quarter	Export credits(1)						Sub- total	Other trans- actions	Total
	Wheat			Other commodities					
	Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net			
1967	- 91	+ 219	+ 128	- 60	+ 39	- 21	+ 107	+ 161	+ 268
1968	- 143	+ 216	+ 73	- 89	+ 45	- 44	+ 29	- 42	- 13
1968 I Q	- 25	+ 76	+ 51	- 19	+ 12	- 7	+ 44	- 15	+ 29
II Q	- 45	+ 57	+ 12	- 14	+ 10	- 4	+ 8	+ 12	+ 20
III Q	- 45	+ 48	+ 3	- 25	+ 14	- 11	- 8	- 66	- 74
IV Q	- 28	+ 35	+ 7	- 31	+ 9	- 22	- 15	+ 27	+ 12
1969 I Q	- 25	+ 20	- 5	- 20	+ 12	- 8	- 13	- 72	- 85
II Q	- 39	+ 15	- 24	- 17	+ 11	- 6	- 30	+ 7	- 23
III Q	- 18	+ 28	+ 10	- 22	+ 15	- 7	+ 3	- 11	- 8

(1) Medium and long-term export credits extended from Canada directly or indirectly at risk of the Government of Canada.

Transactions arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government of Canada led to a net capital inflow of \$3 million compared to a net outflow of \$29 million in the second quarter. This differential between the two quarters was largely due to a reduction in advances to and an increase in repayments of wheat credits from China. Other transactions on the whole led to net repayments to Canada.

All other transactions in long-term forms gave rise to a net capital outflow of \$11 million compared with an inflow of \$7 million in the second quarter. Increases in United States long-term bank loans to Canadians and other banking transactions were responsible for significant inflows into Canada which were more than offset by outflows resulting mainly from insurance and miscellaneous government transactions.

Capital Movements in Short-term Forms

Capital movements in short-term forms in the third quarter climbed to a net outflow of \$749 million from a second quarter total of \$215 million. Short-term interest rates (as measured by three

month treasury bill yields) again rose markedly in the quarter in line with the Bank Rate increase of 1/2 per cent to 8 per cent on July 16 and the general international trend towards unusually high interest rates. (Euro-dollar rates, for example, remained at over 11 per cent throughout the quarter.) The yield differential between Canadian and United States treasury bills narrowed from 81 basis points in favour of Canada in June to 50 basis points in September, as yields on United States bills climbed sharply by 95 basis points during the quarter. A substantial fall in the forward premium on the Canadian dollar reduced the covered yield differential to 0.89 per cent in favour of Canada at the end of September from 2.22 per cent at the end of June.

Composition of "Other Capital Movements"
(A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1967	1968	1968		1969		
			III Q	IV Q	I Q	II Q	III Q
millions of dollars							
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 286	- 405	- 149	- 158	- 155	- 584	- 233
17.2 Canadian commercial paper, etc. ..	+ 11	+ 3	+ 2	+ 13	- 3	- 3	- 15
17.3 Canadian finance company paper ...	- 54	- 131	- 36	-	+ 159	+ 71	- 71
17.4 Canadian finance company obligations, n.i.e.	+ 34	+ 19	- 2	+ 34	+ 23	+ 28	+ 3
17.5 All other transactions(1)	- 559	- 751	- 363	+ 195	- 345	+ 283	- 427
Total (Item D 17)	- 854	- 1,265	- 548	+ 84	- 321	- 205	- 743

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

Non-resident holdings of Canadian dollars fell by \$6 million during the quarter. This movement comprised decreases of \$4 million and \$3 million, respectively, in non-resident holdings of Canadian dollar deposits and treasury bills and a \$1 million increase in Government of Canada demand liabilities.

Canadian holdings of foreign currency bank balances and other short-term funds abroad (excluding official reserves) rose by \$233 million, less than half the rate of the second quarter. As in the previous quarter high international interest rates were probably a significant factor in this movement. However it is expected that data which will be available shortly should reveal some movements influenced by short-term speculative considerations particularly the revaluation of the deutsche mark.

Non-residents' holdings of finance company paper (including that of the financing subsidiaries of manufacturing and retail enterprises) decreased by \$71 million after two previous quarterly inflows. For the fourth consecutive time other finance company obligations (including borrowings from foreign banks and inter-company accounts) resulted in a net inflow, but of a greatly reduced amount - \$3 million, compared with \$28 million in the second quarter. Other finance company transactions not identified separately have been included with capital movements in long-term forms, notably new issues and retirements of Canadian securities. However, such transactions were not significant during this quarter. Dealings in commercial paper (including bankers' acceptances) and other short-term paper (comprising mainly notes of banks, mortgage loan companies, and municipal and provincial governments) led on balance to outflows of \$10 million and \$5 million respectively.

All other transactions in the quarter led to a net capital outflow of \$427 million. Amounts in this category so far identified have tended to produce inflows so that the balance for amounts yet to be identified exceeds the net total for the quarter and brings the total outflow for unrecorded items for the first nine months of 1969 to well over \$500 million.

Official Holdings of Monetary Gold and Foreign Exchange

Canada's official holdings of monetary gold and United States dollars totalled US \$2,539 million at September 30, 1969 a fall of US \$84 million over the quarter. Part of the decrease had a counterpart in Canada's net balance with the International Monetary Fund which increased by US \$80 million in the quarter principally as a result of drawings in Canadian dollars by Belgium and France.

To augment the IMF's resources Canada made a loan to that institution in Canadian dollars under the General Arrangements to Borrow equivalent to US \$25.5 million and also bought gold worth US \$6.09 million with Canadian dollars.

The quarterly change expressed in Canadian dollars showed a drop in official holdings of monetary gold and foreign exchange (including working balances of sterling) of \$91 million. The increase in the IMF balance amounted to \$87 million so that in total these transactions reflected a \$4 million decrease in Canada's official net monetary assets.

The spot value of the Canadian dollar on the foreign exchange markets improved markedly from a low in July of 108.25 cents for US \$1.00 to a premium value above the official par value at the end of the quarter of 107.91 cents for US \$1.00.

The following statement provides data on foreign exchange rates and certain reserve items:

Period	United States Dollar in Canada				Official holdings of monetary gold and United States dollars	Net balance with Inter-national Monetary Fund	Reciprocal swap facility with Federal Reserve System
	High	Low	Close	Noon average			
	Canadian cents				millions of United States dollars at end of period		
1968 I Q	109.00	108.09	108.28	108.56	2,244	-	- 250
II Q	108.25	107.50	107.59	107.83	2,574	121	- 125
III Q	107.59	107.25	107.25	107.31	2,534	186	-
IV Q	107.38	107.25	107.28	107.29	2,827	206	-
1969 I Q	107.84	107.25	107.66	107.46	2,779	221	-
II Q	108.16	107.50	108.09	107.76	2,623	322	-
III Q	108.25	107.66	107.91	107.90	2,539	402	-
July	108.25	107.72	107.81	108.06	2,565	356	-
August	107.97	107.66	107.72	107.81	2,594	361	-
September	107.91	107.75	107.91	107.82	2,539	402	-

Note: The total of exchange holdings does not include holdings of the Government of Canada at September 30, 1969 of \$84 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Other transact- ions	Total liabi- lities	
millions of United States dollars									
1947-1966	740.0	50.0	790.0	605.0	54.3	- 379.3	61.5(2)	341.5	448.5
1967		- 15.0	775.0	- 15.0		15.1		341.6	433.4
1968		- 35.0	740.0	- 35.0	361.2	- 131.2	- 2.8(3)	533.8	206.2
1968 I Q		- 35.0	740.0	- 35.0	426.0	7.3		739.9	0.1
II Q			740.0			- 121.0		618.9	121.1
III Q			740.0		- 64.8			554.1	185.9
IV Q			740.0			- 17.5	- 2.8(3)	533.8	206.2
1969 I Q			740.0			- 15.0		518.8	221.2
II Q		40.0	780.0	40.0		- 103.5	2.5(2)	457.8	322.2
III Q		25.5	805.5	25.5		- 86.2	6.1(2)	403.2	402.3

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow(GAB). The Canadian dollar equivalent of the change appears as item H2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million.

(2) Sales of Canadian dollars to IMF for gold.

(3) Dividend payment to Canada.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

First Estimates

As part of the Dominion Bureau of Statistics programme to make statistics available to the public at the earliest possible opportunity a first estimate of the main aggregates relating to the Canadian balance of payments for the third quarter, 1969 was released in the D.B.S. Daily of November 18, 1969. It is expected that this timetable can be maintained in the future. However, it should be noted that the first estimates relate only to very broad aggregates and that the current quarterly report expands and updates these estimates by incorporating the latest available data.

Canada's International Investment Position

This report includes Tables V to X which will form part of a report on Canada's international investment position to be published in 1970. These tables contain data on all principal series for 1966 and on various components of Canada's investment abroad for 1967.

Preliminary data indicate that Canada's balance of international indebtedness⁽¹⁾ reached a book value of approximately \$26 billion by the end of 1968. Long-term foreign investment in Canada was approaching \$37 billion and other claims of non-residents added more than \$4 billion to Canada's liabilities. Canadian assets abroad had a total book value of more than \$15 billion including long-term investments amounting to about \$9 billion.

Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1966

Item	1926	1930	1939	1945	1949	1958
billions of dollars						
Gross liabilities to other countries	6.4	8.0	7.4	8.2	9.3	21.5
Gross external assets	1.3	1.5	1.9	4.0	5.3	8.2
Net indebtedness	5.1	6.5	5.5	4.2	4.0	13.3
	1959	1960	1961	1964	1965	1966
billions of dollars						
Gross liabilities to other countries	23.8	25.6	27.3	32.8	35.2	37.6
Gross external assets	8.5	8.9	9.6	12.4	12.8	13.9
Net indebtedness	15.3	16.6	17.7	20.3	22.3	23.8

Note: For details see Table V. As figures are individually rounded, totals do not necessarily equal the sum of their component parts.

Canada's balance of international indebtedness rose by about 7 per cent or \$1.5 billion to \$23.8 billion in 1966. Although in absolute terms this increase has been equaled or exceeded only in the period 1956-59 and in 1965, this rate of growth is about 3 percentage points lower than that of the latter year. The rate of growth of Canada's balance of international indebtedness in the sixties has averaged about 7 per cent in comparison with rates of growth which ranged between 13 per cent and 25 per cent annually in the late fifties.

Gross external liabilities at the end of 1966 amounted to \$37.6 billion or more than double the 1956 level of \$17.5 billion. The increase during 1966 equalled the high absolute rises of \$2.4 billion recorded for 1956, 1964 and 1965. However, the rate of increase of gross liabilities of about 7 per cent in 1966 was lower than that for the two previous years and much below those in the late fifties which varied from 9 per cent to 16 per cent.

In 1966 the book value of foreign long-term investments in Canada registered a record annual rise of \$2,505 million, or 9 per cent over the 1965 level, to \$32,012 million. Nearly 70 per cent of this increase was attributable to direct investment which expanded by \$1,721 million to \$18,929 million. Although most of the increase in direct investment was in manufacturing, its share of the increase was less as compared to the previous year. Direct investments in petroleum and natural gas other mining and smelting and finance were relatively more important in 1966.

(1) The term includes equity investments as well as contractual borrowings and is used in the broad sense generally accepted in balance of payments terminology.

Value of Non-resident Owned Investments in Canada, Selected Year Ends, 1900-1966

Owned by residents of	1900(1)	1914(2)	1918(2)	1926	1930	1939
millions of dollars						
United States	168	881	1,630	3,196	4,660	4,151
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476
Other countries	14	178	177	170	188	286
Total book value	1,232	3,837	4,536	6,003	7,614	6,913
	1945	1961	1964	1965	1966	
millions of dollars						
United States	4,990	18,001	21,443	23,305	25,644	
United Kingdom	1,750	3,381	3,476	3,498	3,518	
Other countries	352	2,224	2,448	2,704	2,850	
Total book value	7,092	23,606	27,367	29,507	32,012	

(1) Estimated by Dr. Jacob Viner, "Canada's Balance of International Indebtedness, 1900-1913", (Cambridge 1924).

(2) Estimated by Prof. F.A. Knox, Excursus appearing in "Canadian-American Industry" Marshall, Southard and Taylor, (New Haven, Toronto 1936).

United States residents continued to expand their share of foreign owned long-term investments in Canada. At the end of 1966 this investment amounted to \$25,644 million and comprised 80 per cent of all foreign long-term investments in Canada. (The corresponding figures for earlier years were 79 per cent for 1965, 76 per cent for 1961, 75 per cent for 1956 and 72 per cent for 1946.) Direct investments owned in the United States with a book value of \$15,491 million at the end of 1966 represented 82 per cent of total direct investments in Canada which was one percentage point higher than at the end of 1965. United States investment in other long-term forms were significantly higher at \$10,153 million. United Kingdom residents owned \$2,046 million of direct investments which was about one percentage point smaller than the proportion they had held in 1965. Other United Kingdom long-term investments declined by \$13 million to \$1,472 million. Long-term investment owned in other foreign countries increased by \$146 million to \$2,850 million at the end of 1966. Both direct and portfolio investments contributed to this increase. Ownership of government securities and miscellaneous investments declined.

Value of United States Investments in Canada, Selected Year Ends, 1926-1966

Classification	1926	1930	1945	1949	1959
millions of dollars					
Direct investment	1,403	1,993	2,304	3,095	9,912
Government and municipal bonds	909	1,205	1,450	1,534	2,764
Other portfolio investments	799	1,368	1,106	1,107	2,242
Income accumulating investment funds	-	-	-	-	321
Miscellaneous investments	85	94	130	170	587
Total book value	3,196	4,660	4,990	5,906	15,826
	1960	1961	1964	1965	1966
millions of dollars					
Direct investment	10,549	11,284	12,901	13,940	15,491
Government and municipal bonds	2,903	3,049	4,336	4,618	4,832
Other portfolio investments	2,349	2,562	2,958	3,423	3,884
Income accumulating investment funds	264	266	42	-	-
Miscellaneous investments	653	840	1,206	1,324	1,437
Total book value	16,718	18,001	21,443	23,305	25,644

Canada's gross external assets increased by \$1.1 billion to \$13.9 billion at the end of 1966. This growth rate of more than 8 per cent is significantly higher than the increase of 3 per cent for the previous year, and represents a return to the average growth rate of Canada's gross external assets in the sixties.

The proportion of Canada's assets in the form of private investments abroad continued to be small in relation to corresponding foreign investments in Canadian companies. However, private long-term investments abroad in direct and portfolio investments during 1966 increased by almost 11 per cent to \$5,949 million. In 1967 there was a similar rate of increase to \$6,596 million. Geographically, about two thirds of Canada's private investment are located in the United States, a tenth each in the United Kingdom and in other Commonwealth countries and most of the remainder in the European Economic Community and Latin America.

Canadian Direct Investment Abroad, Geographical Distribution, Year Ends, 1965-1967

Region	1965	1966	1967
	millions of dollars		
North America (including Caribbean) ..	2,321	2,434	2,593
U. S. A.	2,041	2,100	2,190
Mexico	24	34	32
Bahamas	72	83	121
Bermuda	30	53	65
Other	154	164	185
South and Central America	190	214	235
Europe	680	764	846
United Kingdom	482	541	515
European Economic Community	125	143	191
Belgium and Luxembourg	12	16	17
France	43	48	58
Italy	24	27	30
Netherlands	8	14	22
West Germany	38	38	64
Ireland	20	23	27
Switzerland	22	20	21
Other	31	37	92
Africa	72	79	92
South Africa	32	36	47
Other	40	43	45
Asia	65	66	74
Australasia	141	154	190
Australia	129	140	169
Other	12	14	21
Totals	3,469	3,711	4,030
Developed countries - Total	2,891	3,072	3,279
Developing countries - Total	578	639	751

Canadian direct investment abroad at the end of 1967 had a book value of \$4,030 million, an increase of \$319 million over the 1966 figure of \$3,711 million. More than a quarter of this increase was in the United States and an equal amount in other countries of the Western Hemisphere as significant increases occurred in the Caribbean countries. Direct investment in the United Kingdom, at \$515 million was \$26 million lower than the year-end figure for 1966. However this decrease was a reflection of the devaluation of the pound rather than due to Canadian disinvestment. If the effects of devaluation are abstracted Canadian direct investment in the United Kingdom would have registered an increase commensurate with that of the previous year. Devaluation similarly affected the figures of other sterling area countries that followed the British devaluation of their currency. Substantial increases of direct investment took place in the OECD (Europe) group of countries. Investments in Australasia rose by more than 23 per cent to \$190 million, chiefly due to increased investments in Australia. Although as yet investments in Africa and Asia do not figure prominently in the Canadian totals the tempo of Canadian direct investment in these continents seemed to have increased in 1967.

By the end of 1967 the book value of Canadian direct investment in developing countries (as defined by the Development Assistance Committee of the OECD) reached \$751 million which represented an increase of \$112 million or about 18 per cent during the year. As compared to 1966, Canadian direct investment in developing countries relative to developed countries had increased by two percentage points to nearly 19 per cent.

As shown in the accompanying statement, an attempt has been made for the first time to identify separately figures relating to Canadian direct investment abroad in manufacturing and merchandising. Furthermore manufacturing has also been subdivided into beverages, non-ferrous metals and other manufacturing industries. Industrially, investment in manufacturing was dominant with a total book value of \$2,340 million which represented some 58 per cent of total direct investment abroad. Of the total investment in manufacturing, beverages and non-ferrous metals accounted for 34 per cent and 26 per cent respectively. Canadians also had significant interests in utilities including railways (\$555 million), mining (\$324 million), merchandising (\$262 million), financial (\$202 million), petroleum (\$186 million) and other investments (\$161 million).

The Government of Canada's foreign assets declined quite noticeably in 1966 owing to a substantial decline in Canada's official holdings of gold and foreign exchange. Also, during 1966 credits to foreign governments continued their downward pattern, however there were increases in the Government of Canada's subscriptions to international agencies while Canada's net IMF position also improved. In 1967 the decline in the Government of Canada's foreign assets was slight compared to the previous year and was due to a further fall in credits to foreign governments and a decline in the net IMF position. Canada's official holdings of gold and foreign exchange and subscriptions to international agencies registered increases.

Portfolio holdings of foreign securities by Canadians are estimated to have totalled more than \$2.2 billion at the end of 1966. Holdings of bonds amounted to more than \$0.3 billion and holdings of stocks to about \$1.9 billion. During 1966 the increase of Canadian holdings of portfolio securities amounted to about 18 per cent. A significant proportion of these holdings comprised United States securities which amounted to about \$1.7 billion consisting of about \$1.6 billion of stocks and more than \$0.1 billion of bonds. According to preliminary estimates, Canadian portfolio investments abroad had climbed to about \$2.9 billion at the end of 1968; of this amount stocks comprised about \$2.4 billion and bonds close to \$0.5 billion.

Non-residents have a substantial equity in Canadian assets abroad through their ownership in whole or in part of Canadian corporations having subsidiaries, affiliates, branches or portfolio investments in other parts of the world. This equity of non-residents in Canadian assets abroad is included as a liability in the statement of Canada's balance of international indebtedness. At the end of 1966 about \$1.6 billion of the Canadian assets abroad were beneficially owned by non-residents.

It should be noted that the statistics given above are expressed in book value terms. Market values would be substantially different.

Canadian Direct Investment Abroad, Industrial Detail, Year Ends, 1965-67.

	Manufacturing				Petroleum(1)	Mining	
	Beverages	Non-Ferrous Metals	Other Man- facturing	Total Man- facturing			
							millions of dollars
All Countries							
1965	723	509	783	2,015	235	253	
1966	767	564	862	2,193	182	296	
1967	792	606	942	2,340	186	324	
United States							
1965	558	170	355	1,083	216	34	
1966	585	189	389	1,163	159	47	
1967	603	182	463	1,248	154	36	
United Kingdom							
1965	133	151	146	430	2	1	
1966	151	170	159	480	5	2	
1967	146	161	136	443	6	1	
Other Commonwealth Countries							
1965	10	40	131	181	5	137	
1966	9	40	139	188	6	147	
1967	5	36	149	190	18	173	
Other Countries							
1965	22	148	151	321	12	81	
1966	22	165	175	362	12	100	
1967	38	227	194	459	8	114	
	Utilities			Merchand- ising	Financial	Other	Total
	Railways	Other Utilities	Total Utilities				
All Countries							
1965	302	215	517	155	158	136	3,469
1966	303	243	546	174	176	144	3,711
1967	306	249	555	262	202	161	4,030
United States							
1965	302	121	423	109	129	47	2,041
1966	303	127	430	120	138	43	2,100
1967	306	134	440	151	115	46	2,190
United Kingdom							
1965	-	10	10	24	6	9	482
1966	-	9	9	28	8	9	541
1967	-	5	5	49	6	5	515
Other Commonwealth Countries							
1965	-	34	34	12	18	66	453
1966	-	54	54	18	24	68	505
1967	-	49	49	47	54	82	613
Other Countries							
1965	-	50	50	10	5	14	493
1966	-	53	53	8	6	24	565
1967	-	61	61	15	27	28	712

(1) Excludes pipelines which account for most of "Other Utilities" in the United States.

CANADA'S INTERNATIONAL
INVESTMENT POSITION

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TABLE V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-66¹

Item	1926	1930	1939	1945	1957	1958	1959	1960	1961 ^r	1962 ^r	1963 ^r	1964 ^r	1965 ^r	1966
billions of dollars														
Canadian liabilities:														
Direct investment VIII, X	1.8	2.4	2.3	2.7	10.1	10.9	11.9	12.9	13.7	14.7	15.4	15.9*	17.2	18.9
Government and municipal bonds IX	1.4	1.7	1.7	1.7	2.3	2.6	3.1	3.3	3.4	3.7	4.2	4.7	5.0	5.2
Other portfolio investment VIII	2.5	3.2	2.6	2.4	4.1	4.4	4.6	4.6	4.7	4.7	4.7	4.7	5.2	5.7
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.9	1.1	1.3	1.4	1.7	1.8	1.8	2.0	2.2	2.3
Foreign long-term investments in Canada VIII, IX	6.0	7.6	6.9	7.1	17.5	19.0	20.9	22.2	23.6	24.9	26.1	27.4	29.5	32.0
Equity of non-residents in Canadian assets abroad	..	..	0.2	0.2	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.6	1.6	1.6
Canadian dollar holdings of non-residents	..	..	0.3	0.3	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Gross liabilities²	6.4	8.0	7.4	7.6	18.7	20.4	22.4	24.0	25.4	26.8	28.1	29.5	31.8	34.3
United States ²	3.5	4.9	4.5	5.4	14.1	15.5	17.0	18.0	19.3	20.6	22.0	23.1*	25.0	27.3
United Kingdom ²	2.7	2.9	2.6	1.8	3.1	3.2	3.4	3.5	3.5	3.6	3.5	3.6	3.7	3.7
Other countries ^{2,3}	0.2	0.2	0.3	0.4	1.5	1.7	2.1	2.4	2.5	2.6	2.6	2.8	3.1	3.2
Short-term payables n.i.e. ⁴	..	..	..	0.6	1.0	1.1	1.4	1.6	1.9	2.0	2.3	3.2* ⁵	3.4 ⁵	3.4 ⁵
Gross liabilities	6.4²	8.0²	7.4²	8.2	19.6	21.5	23.8	25.6	27.3	28.8	30.4	32.8	35.2	37.6
Canadian assets:														
Direct investment VII	0.4	0.4	0.7	0.7	2.1	2.1	2.3	2.5	2.6	2.8	3.1	3.3	3.5	3.7
Portfolio investments VII	0.5	0.8	0.7	0.6	1.1	1.1	1.2	1.3	1.4	1.6	1.7	1.8	1.9	2.2
Government of Canada credits VII	—	—	—	0.7	1.6	1.5	1.5	1.5	1.4	1.3	1.3	1.5 ⁶	1.5 ⁶	1.5 ⁶
Government of Canada subscriptions to international investment agencies	—	—	—	—	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Miscellaneous investment ⁷	—	—	—	—	-0.1	-0.1	—	—	0.1	0.2	0.3	0.4	0.6	0.7
Canadian long-term investments abroad	0.9	1.3	1.4	2.0	4.7	4.8	5.0	5.3	5.7	6.1	6.4	7.1	7.6	8.3
Government of Canada holdings of gold and foreign exchange VI	—	—	0.5	1.7	1.8	1.9	1.8	1.8	2.2	2.7	2.8	2.9	2.9	2.4
Net IMF position	—	—	—	—	0.1	0.1	0.1	0.2	0.2	-0.1	-0.1	0.2	0.4	0.5
Other Canadian short-term holdings of exchange	8	8	—	0.1	0.9	1.0	1.0	1.2	1.1	1.0	1.3	1.8	1.7	2.4
Gross assets²	1.3	1.5	1.9	3.9	7.5	7.7	8.0	8.5	9.1	9.7	10.5	12.0	12.5	13.6
Government of Canada holdings of gold, foreign exchange and net IMF position	—	—	0.5	1.7	1.9	2.0	1.9	2.0	2.4	2.6	2.7	3.1	3.3	2.9
United States ^{2,9}	0.7	0.9	0.9	1.0	3.0	3.1	3.3	3.7	3.8	4.0	4.5*	4.7	5.7	6.6
United Kingdom ^{2,9}	0.1	0.1	0.1	0.7	1.4	1.4	1.4	1.5	1.5	1.6	1.9*	2.6	2.1	2.1
Other countries ^{2,3}	0.5	0.5	0.4	0.5	1.2	1.3	1.3	1.3	1.4	1.5	1.3*	1.6	1.5	1.9
Short-term receivables n.i.e. ⁴	..	..	..	0.1	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.3	0.3
Gross assets	1.3²	1.5²	1.9²	4.0	7.9	8.2	8.5	8.9	9.6	10.1	10.9	12.4	12.8	13.9
Canadian net international indebtedness:														
Net liabilities	5.1²	6.5²	5.5²	4.2	11.8	13.3	15.3	16.6	17.7	18.7	19.5	20.3	22.3	23.8
Government of Canada holdings of gold, foreign exchange and net IMF position	—	—	-0.5	-1.7	-1.9	-2.0	-1.9	-2.0	-2.4	-2.6	-2.7	-3.1	-3.3	-2.9
United States ^{2,9}	2.8	4.0	3.6	4.4	11.1	12.4	13.6	14.3	15.5	16.7	17.5*	18.4*	19.3	20.7
United Kingdom ^{2,9}	2.6	2.8	2.5	1.1	1.6	1.8	1.9	2.0	2.0	2.0*	1.6*	1.1	1.6	1.6
Other countries ^{2,3}	-0.3	-0.3	-0.1	-0.1	0.3	0.4	0.8	1.1	1.1	1.1	1.4*	1.2	1.6	1.3
Short-term n.i.e. ⁴	..	..	..	0.4	0.6	0.6	1.0	1.1	1.4	1.6	1.8	2.8*	3.1	3.1

¹ For missing years see Table 12 in "The Canadian Balance of International Payments—A Compendium of Statistics from 1946 to 1965" (DBS Catalogue No. 67-505).

² Excludes short-term receivables and payables.

³ Includes international investment agencies.

⁴ Country distribution not available.

⁵ Includes finance company obligations of \$0.9 billion in 1964 and 1965 and \$1.1 billion in 1966.

⁶ Includes medium-term non-marketable United States government securities acquired under the Columbia River Treaty arrangements.

⁷ Includes export credits by government and private sectors less reserve against government inactive assets.

⁸ Net external assets of the chartered banks of Canada amounted to \$370 million in 1926 and \$180 million in 1930.

⁹ Excludes Government of Canada holdings of gold and foreign exchange.

^r Revised.

* New series not strictly comparable with earlier years.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals refer to tables with further detail.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of other countries.

TABLE VI. Canada's Official Holdings of Gold and United States Dollars,¹ 1954-67

At end of	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
millions of U.S. dollars														
March	1,827.2	1,871.5	1,871.4	1,923.6	1,867.7	1,888.3	1,856.1	1,934.9	1,709.4	2,600.1	2,465.5	2,554.1	2,509.8	2,203.
June	1,863.3	1,930.4	1,899.5	1,941.8	1,921.4	1,934.2	1,773.9	1,985.2	1,808.7 ²	2,691.6	2,533.9	2,480.1	2,341.8	2,168.
September	1,898.6	1,936.7	1,903.5	1,889.9	1,888.2	1,938.3	1,813.0	1,924.3	2,444.6 ²	2,568.3	2,624.5	2,614.1	2,244.3	2,220.
December	1,942.6	1,900.8	1,936.2	1,828.3	1,939.1	1,869.2	1,829.2	2,055.8	2,539.4 ²	2,595.0	2,674.3	2,664.5	2,235.9	2,267.

¹ Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other government accounts and net holdings of the Bank of Canada.

² Includes some funds representing special international financial assistance in the form of central bank swaps and/or net IMF drawings.

TABLE VII. Canadian Long-term Investments Abroad,¹ Selected Year Ends, 1926-67²

Location and year	Direct investment in branches, subsidiaries and controlled companies					Portfolio investment in foreign securities			Total private long-term investments abroad	Government of Canada credits	Total
	Railways and utilities	Manufacturing and merchandising	Mining and petroleum	Other concerns	Total direct investment	Stocks	Bonds	Total portfolio investment			
millions of dollars											
In all countries:											
1926 .....	..	..	..	..	397	..	..	493	890	36	926
1930 .....	..	..	..	..	443	..	..	789	1,232	31	1,263
1939	249	289	123	10	671*	511	208	719*	1,390	31	1,421
1945	239	337	138	6	720	454	167	621	1,341	707	2,048
1947	246	414	155	7	822	426	153	579	1,401	1,816	3,216
1956	418	1,106	340	27	1,891	785	221	1,006	2,897	1,587	4,484
1957	425	1,198	410	40	2,073	811	257	1,068	3,141	1,560	4,701
1960	456	1,482	445	84	2,467	1,050	265	1,315	3,782	1,462	5,244
1961 ^r	484	1,566	414	132	2,596	1,167	276	1,443	4,039	1,424	5,463
1962 ^r	455*	1,769	426	134	2,784	1,370	273	1,643	4,427	1,301	5,728
1963 ^r	478	1,892	510	202	3,082	1,426	266	1,692	4,774	1,285	6,059
1964 ^r	472	2,061	499	240	3,272	1,504	275	1,779	5,051	1,517	6,568
1965 ^r	517	2,170	488	294	3,468	1,617	280	1,897	5,366	1,495	6,861
1966 ^r	546	2,367	478	320	3,711	1,866	372	2,238	5,949	1,451	7,400
1967	555	2,602	510	363	4,030	2,094	472	2,566	6,596	1,406	8,002
In the United States:											
1939	211	176	21	4	412	380	121	501	913	—	913
1945	212	214	25	4	455	317	92	409	864	—	864
1947	217	272	37	5	531	283	83	366	897	—	897
1956	378	804	190	22	1,394	569	84	653	2,047	—	2,047
1957	380	833	206	32	1,451	593	118	711	2,162	—	2,162
1960	374	971	209	64	1,618	827	120	947	2,565	—	2,565
1961 ^r	400	1,018	208	98	1,724	916	119	1,035	2,759	—	2,759
1962 ^r	411	1,092	188	95	1,786	1,060	111	1,171	2,957	—	2,957
1963 ^r	418	1,108	262	134	1,922	1,116	101	1,217	3,139	—	3,139
1964 ^r	402	1,158	239	168	1,967	1,200	103	1,303	3,270	219 ³	3,489
1965 ^r	423	1,192	250	176	2,041	1,309	99	1,408	3,449	187 ³	3,636
1966 ^r	430	1,283	206	181	2,100	1,559	143	1,702	3,802	156 ³	3,958
1967	440	1,399	190	161	2,190	1,779	188	1,967	4,157	123 ³	4,280
In the United Kingdom:											
1939	—	53	—	6	59	22	21	43	102	—	102
1945	—	53	—	1	54	26	27	53	107	561	668
1947	—	64	—	—	64	26	26	52	116	1,331	1,447
1956	3	135	—	1	139	30	16	46	185	1,179 ⁴	1,364
1957	3	168	—	1	172	33	15	48	220	1,171 ⁴	1,391
1960	14	240	—	3	257	26	16	42	299	1,092 ⁴	1,391
1961 ^r	12	271	—	5	288	43	16	59	347	1,074 ⁴	1,421
1962 ^r	9*	327	—	8	344	47	16	63	407	1,057 ⁴	1,464
1963 ^r	9	367*	—	16	392	48	16	64	456	1,039 ⁴	1,495
1964 ^r	8	406	1	16	431	50	15	65	496	1,059 ⁴	1,555
1965 ^r	10	454	3	15	482	53	15	68	550	1,078 ⁴	1,628
1966 ^r	9	508	7	17	541	51	13	64	605	1,059 ⁴	1,664
1967	5	492	7	11	515	52	15	67	582	1,040 ⁴	1,622
In other Commonwealth countries: ⁵											
1939	7	30	17	—	54	7	15	22	76	—	76
1945	7	34	28	—	69	7	12	19	88	—	88
1947	8	47	30	—	85	7	11	18	103	—	103
1956	8	85	98	—	191	7	21	28	219	—	219
1957	8	93	131	3	235	7	21	28	263	—	263
1960	10	121	156	12	299	10	18	28	327	35	362
1961	15	95	145	24	279	11	30	41	320	30	350
1962	16	132	162	26	336	12	31	43	379	25	404
1963 ^r	17	149	163	48	377	12	29	41	418	29	447
1964 ^r	26	186	164	50	426	13	32	45	471	25	496
1965 ^r	34	193	142	84	453	14	31	45	498	19	517
1966 ^r	54	206	153	92	505	15	29	44	549	27	576
1967	49	237	191	136	613	13	27	40	653	36	689
In other foreign countries:											
1939	31	30	85	—	146	102	51	153	299	31	330
1945	20	36	85	1	142	104	36	140	282	146	428
1947	21	31	88	2	142	110	33	143	285	485	770
1956	29	82	52	4	167	179	100	279	446	408	854
1957	34	104	73	4	215	178	103	281	496	389	885
1960	58	150	80	5	293	187	111	298	591	335	926
1961 ^r	57	182	61	5	305	197	111	308	613	320	933
1962 ^r	19*	218	76	5	318	251	115	366	684	219 ⁶	903
1963 ^r	34	268	85	4	391	250	120	370	761	217 ⁶	978
1964 ^r	36	311	95	6	448	241	125	366	814	214 ⁶	1,028
1965 ^r	50	331	93	19	493	241	135	376	869	211 ⁶	1,080
1966 ^r	53	370	112	30	565	241	187	428	993	209 ⁶	1,202
1967	61	474	122	55	712	250	242	492	1,204	207 ⁶	1,411

¹ Figures exclude investments of insurance companies and banks (held mainly against liabilities to non-residents), subscriptions to international investment agencies (Table V), and miscellaneous investments (Table V). Figures include the equity of non-residents in assets abroad of Canadian companies (Table V).

² For years 1949 to 1955 see Table VII, "The Canadian Balance of International Payments, 1961 and 1962 and International Investment Position" and for years 1958 and 1959 see Table VII, "The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position" Catalogue No. 67-201.

³ Medium-term non-marketable United States government securities acquired under the Columbia River Treaty arrangements.

⁴ Includes deferred interest amounting to \$22 million in 1956, to \$44 million in 1957 through 1963, to \$64 million in 1964, to \$83 million in 1965, 1966 and 1967.

⁵ Includes investments in Newfoundland prior to 1949.

⁶ Includes \$7 million United Nations bonds in 1962 and 1963, and \$6 million in 1964, 1965, 1966 and 1967.

[†] Revised.

* New series not strictly comparable with earlier years.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1945-66
 Classification by type of assets and nature of national ownership

Long-term investments in Canada	A. Owned by all non-residents								B. Owned in United States							
	1945	1960	1961	1962	1963	1964	1965	1966	1945	1960	1961	1962	1963	1964	1965	1966
	millions of dollars															
By type of assets																
Bonds and debentures:																
Government ¹	1,662	3,269	3,438	3,737	4,207	4,682	4,965	5,153	1,450	2,903	3,049	3,387	3,869	4,336	4,618	4,832
Railways	843	499	512	475	483	509	520	554	495	152	174	143	151	158	155	196
Other corporations	561	2,309	2,400	2,672	2,860	3,056	3,614	4,133	414	1,980	2,124	2,402	2,585	2,786	3,360	3,858
Sub-totals	3,066	6,077	6,350	6,884	7,550	8,247	9,099	9,840	2,359	5,035	5,347	5,932	6,605	7,280	8,133	8,886
Capital stock of Canadian companies	3,194	10,480	10,865	11,631	12,009	12,668	13,541	14,599	2,088	7,472	7,894	8,460	8,907	9,446	10,090	11,020
Other corporation assets ²	548	3,965	4,429	4,457	4,681	4,373	4,696	5,309	413	3,294	3,654	3,727	3,940	3,469	3,758	4,301
Income accumulating investment funds	—	264	266	164	123	42	—	—	—	264	266	164	123	42	—	—
Miscellaneous investments	284	1,428	1,696	1,753	1,771	2,037	2,171	2,264	130	653	840	872	904	1,206	1,324	1,437
Total investments	7,092	22,214	23,606	24,889	26,134	27,367	29,507	32,012	4,990	16,718	18,001	19,155	20,479	21,443	23,305	25,644
By nature of national ownership																
I. Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways	46	14	13	4	4	3	3	3	38	10	10	1	1	1	1	1
Other corporations	281	1,211	1,346	1,565	1,608	1,567	1,673	1,848	254	1,116	1,255	1,486	1,523	1,470	1,584	1,753
Sub-totals	327	1,225	1,359	1,569	1,612	1,570	1,676	1,851	292	1,126	1,265	1,487	1,524	1,471	1,585	1,754
Capital stock of Canadian companies	1,860	7,839	8,190	8,983	9,529	10,232	11,111	12,072	1,613	6,263*	6,579	7,093	7,612	8,177	8,810	9,672
Other corporation assets ²	526	3,808	4,188	4,108	4,293	4,087*	4,421	5,006	399	3,160*	3,440	3,426	3,618	3,253*	3,545	4,065
Total direct investments	2,713	12,872	13,737	14,660	15,434	15,889*	17,208	18,929	2,304	10,549	11,284	12,006	12,754	12,901*	13,940	15,491
II. Government bonds ¹	1,662	3,269	3,438	3,737	4,207	4,682	4,965	5,153	1,450	2,903	3,049	3,387	3,869	4,336	4,618	4,832
III. Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada	795	483	497	470	478	505	516	551	457	141	163	141	149	156	153	195
Controlled in other countries	2	2	2	1	1	1	1	—	—	1	1	1	1	1	1	—
Other corporations:																
Controlled in Canada	220	809	791	836	979	1,141	1,563	1,831	158	749	771	815	954	1,117	1,527	1,790
Controlled in other countries	60	289	263	271	273	348	378	454	2	115	98	101	108	199	249	315
Sub-totals	1,077	1,583	1,553	1,578	1,731	1,995	2,458	2,836	617	1,006	1,033	1,058	1,212	1,473	1,930	2,300
Capital stock of Canadian companies:																
Companies controlled in Canada	1,249	2,340	2,395	2,351	2,189	2,131	2,122	2,163	462	1,104	1,215	1,259	1,198	1,165	1,166	1,211
Companies controlled in other countries	85	301	280	297	291	305	308	364	13	105	100	108	97	104	114	137
Other corporation assets: ²																
Companies controlled in Canada	16	129	197	297	327	195	169	155	13	117	187	263	284	135	119	110
Companies controlled in other countries	6	28	44	52	61	91	106	148	1	17	27	38	38	81	94	126
Income accumulating investment funds	—	264	266	164	123	42	—	—	—	264	266	164	123	42	—	—
Total other portfolio investments	2,433	4,645	4,735	4,739	4,722	4,759	5,163	5,666	1,106	2,613	2,828	2,890	2,952	3,000	3,423	3,884
IV. Miscellaneous investments:																
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	284	1,428	1,696	1,753	1,771	2,037	2,171	2,264	130	653	840	872	904	1,206	1,324	1,437
SUMMARY																
I. Direct investments	2,713	12,872	13,737	14,660	15,434	15,889*	17,208	18,929	2,304	10,549	11,284	12,006	12,754	12,901*	13,940	15,491
II. Government bonds	1,662	3,269	3,438	3,737	4,207	4,682	4,965	5,153	1,450	2,903	3,049	3,387	3,869	4,336	4,618	4,832
III. Other portfolio investments	2,433	4,645	4,735	4,739	4,722	4,759	5,163	5,666	1,106	2,613	2,828	2,890	2,952	3,000	3,423	3,884
IV. Miscellaneous investments	284	1,428	1,696	1,753	1,771	2,037	2,171	2,264	130	653	840	872	904	1,206	1,324	1,437
Total investments	7,092	22,214	23,606	24,889	26,134	27,367	29,507	32,012	4,990	16,718	18,001	19,155	20,479	21,443	23,305	25,644

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1945-66 — Concluded
Classification by type of assets and nature of national ownership

Long-term investments in Canada	C. Owned in United Kingdom								D. Owned in all other countries							
	1945	1960	1961	1962	1963	1964	1965	1966	1945	1960	1961	1962	1963	1964	1965	1966
millions of dollars																
By type of assets																
Bonds and debentures:																
Government ¹	157	127	147	137	121	111	100	108	55	239	242	213	217	235	247	213
Railways.....	316	290	288	264	259	259	262	259	32	57	50	68	73	92	103	99
Other corporations.....	116	214	185	178	178	172	160	158	31	115	91	92	97	98	94	117
Sub-totals.....	589	631	620	579	558	542	522	525	118	411	383	373	387	425	444	429
Capital stock of Canadian companies.....	973	2,078	2,023	2,083	2,040	2,098	2,150	2,184	133	930	948	1,088	1,062	1,124	1,301	1,395
Other corporation assets ²	103	439	515	509	512	627	624	609	32	232	260	221	229	277	314	399
Miscellaneous investments.....	85	211	223	228	221	209	202	200	69	564	633	653	646	622	645	627
Total investments.....	1,750	3,359	3,381	3,399	3,331	3,476	3,498	3,518	352	2,137	2,224	2,335	2,324	2,448	2,704	2,850
By nature of national ownership																
I. Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways.....	8	4	3	3	3	2	2	2	—	—	—	—	—	—	—	—
Other corporations.....	13	46	38	24	25	35	31	30	14	49	53	55	60	62	58	65
Sub-totals.....	21	50	41	27	28	37	33	32	14	49	53	55	60	62	58	65
Capital stock of Canadian companies.....	226	1,057*	1,072	1,209	1,244	1,331	1,397	1,440	21	519*	539	681	673	724	904	960
Other corporation assets ²	101	428*	500	470	465	576	583	574	26	220*	248	212	210	258	293	367
Total direct investments.....	348	1,535	1,613	1,706	1,737	1,944	2,013	2,046	61	788	840	948	943	1,044	1,255	1,392
II. Government bonds¹.....	157	127	147	137	121	111	100	108	55	239	242	213	217	235	247	213
III. Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada.....	306	285	284	261	256	257	260	257	32	57	50	68	73	92	103	99
Controlled in other countries.....	2	1	1	—	—	—	—	—	—	—	—	—	—	—	—	—
Other corporations:																
Controlled in Canada.....	46	19	3	4	5	5	6	5	16	41	17	17	20	19	30	36
Controlled in other countries.....	57	149	144	150	148	132	123	123	1	25	21	20	17	17	6	16
Sub-totals.....	411	454	432	415	409	394	389	385	49	123	88	105	110	128	139	151
Capital stock of Canadian companies:																
Companies controlled in Canada.....	691	924	860	787	708	674	660	643	96	312	320	305	283	292	296	309
Companies controlled in other countries.....	56	97	91	87	88	93	93	101	16	99	89	102	106	108	101	126
Other corporation assets: ²																
Companies controlled in Canada.....	2	5	6	30	36	48	38	31	1	7	4	4	7	12	12	14
Companies controlled in other countries.....	—	6	9	9	11	3	3	4	5	5	8	5	12	7	9	18
Total other portfolio investments.....	1,160	1,486	1,398	1,328	1,252	1,212	1,183	1,164	167	546	509	521	518	547	557	618
IV. Miscellaneous investments:																
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.....	85	211	223	228	221	209	202	200	69	564	633	653	646	622	645	627
SUMMARY																
I. Direct investments.....	348	1,535	1,613	1,706	1,737	1,944	2,013	2,046	61	788	840	948	943	1,044	1,255	1,392
II. Government bonds.....	157	127	147	137	121	111	100	108	55	239	242	213	217	235	247	213
III. Other portfolio investments.....	1,160	1,486	1,398	1,328	1,252	1,212	1,183	1,164	167	546	509	521	518	547	557	618
IV. Miscellaneous investments.....	85	211	223	228	221	209	202	200	69	564	633	653	646	622	645	627
Total investments.....	1,750	3,359	3,381	3,399	3,331	3,476	3,498	3,518	352	2,137	2,224	2,335	2,324	2,448	2,704	2,850

¹ For division into Government of Canada, provincial and municipal see Table IX.

² Includes net assets of unincorporated branches and other long-term investments.

TABLE IX. Foreign Capital Invested in Canada. Selected Year Ends, 1945-66

Classification by type of investment

Long-term investments in Canada by type of investment	A. Owned by all non-residents								B. Owned in United States							
	1945	1960	1961	1962	1963	1964	1965	1966	1945	1960	1961	1962	1963	1964	1965	1966
millions of dollars																
Government securities:																
Dominion	726	611	657	788	899	897	880	649	682	382	416	576	695	690	675	486
Provincial	624	1,632	1,743	1,862	2,217	2,564	2,828	3,171	574	1,544	1,641	1,768	2,127	2,469	2,729	3,056
Municipal	312	1,026	1,038	1,087	1,091	1,221	1,257	1,333	194	977	992	1,043	1,047	1,177	1,214	1,290
Sub-totals	1,662	3,269	3,438	3,737	4,207	4,682	4,965	5,153	1,450	2,903	3,049	3,387	3,869	4,336	4,618	4,832
Manufacturing:																
Vegetable products	268	720	749	787	824	828	891	911	199	551	586	620	654	653	713	734
Animal products	61	132	145	149	162	169	194	228	47	118	132	135	147	153	176	206
Textiles	83	141	148	142	145	148	166	180	41	84	93	92	97	99	118	129
Wood and paper products	455	1,315	1,410	1,464	1,545	1,703	1,897	2,195	383	1,116	1,207	1,242	1,323	1,422	1,623	1,891
Iron and products	319	1,580	1,647	1,742	1,895	1,952	2,231	2,365	297	1,286	1,339	1,425	1,577	1,643	1,913	2,044
Non-ferrous metals	274	1,155	1,185	1,211	1,212	1,191	1,295	1,428	209	928	973	992	996	969	1,069	1,188
Non-metallic minerals	57	276	286	310	321	314	313	359	48	151	158	162	171	179	185	234
Chemicals and allied products	169	698	768	810	848	1,094	1,229	1,378	124	492	553	584	623	851	994	1,133
Miscellaneous manufactures	37	98	108	116	122	133	150	156	34	92	101	109	115	127	143	150
Sub-totals (excluding petro- leum refining)	1,723	6,115	6,446	6,731	7,074	7,532	8,366	9,200	1,382	4,818	5,142	5,361	5,703	6,096	6,934	7,709
Petroleum and natural gas	160	3,727	4,029	4,384	4,703	4,799	5,192	5,720	152	3,184*	3,444	3,662	3,945	3,964	4,170	4,657
Other mining and smelting	356	1,977	2,094	2,297	2,347	2,473	2,555	2,871	277	1,701	1,821	1,998	2,054	2,115	2,199	2,463
Public utilities:																
Railways	1,599	1,406	1,366	1,270	1,231	1,236	1,038	1,055	720	479	506	472	476	491	401	427
Other (excluding pipelines and public enterprises)	493	743	656	691	590	605	666	758	374	551	513	557	505	553	619	703
Sub-totals	2,092	2,149	2,022	1,961	1,821	1,841	1,704	1,813	1,094	1,030	1,019	1,029	981	1,044	1,020	1,130
Merchandising	220	872	917	972	1,003	1,092	1,196	1,297	158	608	629	674	698	739	822	913
Financial	525	2,380	2,616	2,688	2,847	2,503*	2,875	3,135	285	1,587	1,775	1,872	2,033	1,617*	1,823	2,040
Other enterprises	70	297	348	366	361	408	483	559	62	234	282	300	292	326	395	463
Miscellaneous investments	284	1,428	1,696	1,753	1,771	2,037	2,171	2,264	130	653	840	872	904	1,206	1,324	1,437
Total investments	7,092	22,214	23,606	24,889	26,134	27,367	29,507	32,012	4,990	16,718	18,001	19,155	20,479	21,443*	23,305	25,644
C. Owned in United Kingdom																
D. Owned in all other countries																
millions of dollars																
Government securities:																
Dominion	—	48	50	48	34	21	10	7	44	181	191	164	170	186	195	156
Provincial	45	47	67	60	58	61	62	73	5	41	35	34	32	34	37	42
Municipal	112	32	30	29	29	29	28	28	6	17	16	15	15	15	15	15
Sub-totals	157	127	147	137	121	111	100	108	55	239	242	213	217	235	247	213
Manufacturing:																
Vegetable products	66	137	136	136	153	158	152	157	3	32	27	31	17	17	26	20
Animal products	6	8	7	7	8	6	8	9	8	6	6	7	7	10	10	13
Textiles	38	55	53	48	46	47	44	47	4	2	2	2	2	2	4	4
Wood and paper products	64	167	174	188	182	244	233	246	8	32	29	34	40	37	41	58
Iron and products	12	201	209	209	206	203	204	200	10	93	99	108	112	106	114	121
Non-ferrous metals	64	188	177	183	184	182	182	189	1	39	35	36	32	40	44	51
Non-metallic minerals	8	55	54	66	67	49	50	38	1	70	74	82	83	86	78	87
Chemicals and allied products	36	169	176	183	180	183	187	192	9	37	39	43	45	60	48	53
Miscellaneous manufactures	2	5	6	6	6	5	6	5	1	1	1	1	1	1	1	1
Sub-totals (excluding petro- leum refining)	296	985	992	1,026	1,032	1,077	1,066	1,083	45	312	312	344	339	359	366	408
Petroleum and natural gas	7	270*	296	355	380	449	524	542	1	273*	289	367	378	386	498	521
Other mining and smelting	60	152	148	184	161	211	199	209	19	124	125	115	132	147	157	199
Public utilities:																
Railways	806	755	699	618	584	560	473	467	73	172	161	180	171	185	164	161
Other (excluding pipelines and public enterprises)	90	125	76	78	53	25	24	29	29	67	67	56	32	27	23	26
Sub-totals	896	880	775	696	637	585	497	496	102	239	228	236	203	212	187	187
Merchandising	57	214	238	241	250	273	283	288	5	50	50	57	55	80	91	96
Financial	186	469	512	487	481	501	566	525	54	324	329	329	333	385	486	570
Other enterprises	6	51	50	45	48	60	61	67	2	12	16	21	21	22	27	29
Miscellaneous investments	85	211	223	228	221	209	202	200	69	564	633	653	646	622	645	627
Total investments	1,750	3,359	3,381	3,399	3,331	3,476	3,498	3,518	352	2,137	2,224	2,335	2,324	2,448	2,704	2,850

TABLE X. Foreign Direct Investment¹ in Canada, Selected Year Ends, 1945-66
Classification by type of business

Direct investment in Canada by type of business	A. Owned by all non-residents								B. Owned in United States							
	1945	1960	1961	1962	1963	1964	1965	1966	1945	1960	1961	1962	1963	1964	1965	1966
	millions of dollars															
Manufacturing:																
Vegetable products	200	637	648	691	738	738	794	822	140	488	504	539	583	576	627	656
Animal products	47	122	135	140	153	160	185	211	44	111	125	129	141	148	171	196
Textiles	56	118	122	124	127	129	141	155	28	72	78	82	87	89	97	108
Wood and paper products	348	1,033	1,064	1,098	1,184	1,289	1,359	1,535	316	886	939	950	1,029	1,078	1,164	1,328
Iron and products	277	1,441	1,504	1,584	1,730	1,776	2,013	2,100	272	1,198	1,248	1,326	1,479	1,538	1,769	1,862
Non-ferrous metals	211	983	1,020	1,022	1,034	1,013	1,112	1,234	203	890	931	939	949	923	1,021	1,132
Non-metallic minerals	43	240	249	265	274	267	262	282	39	134	140	136	145	152	160	175
Chemicals and allied products	144	671	741	780	822	1,043	1,171	1,317	118	478	538	565	605	810	947	1,084
Miscellaneous manufactures	33	97	106	115	120	130	148	154	31	91	100	109	114	125	142	148
Sub-totals (excluding petroleum refining)	1,359	5,342	5,589	5,819	6,182	6,545	7,185	7,810	1,191	4,348	4,603	4,775	5,132	5,439	6,098	6,689
Petroleum and natural gas	141	3,313	3,534	3,901	4,119	4,201	4,530	5,012	141	2,885*	3,060	3,277	3,464	3,472	3,600	4,062
Other mining and smelting	237	1,439	1,549	1,686	1,758	1,915	2,018	2,279	215	1,348	1,451	1,595	1,666	1,774	1,875	2,107
Utilities (excluding pipelines)	375	285	289	294	299	301	306	318	358	224	228	238	250	276	286	297
Merchandising	202	757	804	859	883	967	1,057	1,132	147	501	520	565	586	622	695	759
Financial	339	1,464	1,660	1,769	1,867	1,596*	1,685	1,890	198	1,028	1,171	1,287	1,394	1,031*	1,041	1,177
Other enterprises	60	272	312	332	326	364	427	488	54	215	251	269	262	287	345	400
Totals	2,713	12,872	13,737	14,660	15,434	15,889*	17,208	18,929	2,304	10,549	11,284	12,006	12,754	12,901*	13,940	15,491
	C. Owned in United Kingdom								D. Owned in all other countries							
	1945	1960	1961	1962	1963	1964	1965	1966	1945	1960	1961	1962	1963	1964	1965	1966
	millions of dollars															
Manufacturing:																
Vegetable products	60	124	123	129	146	152	147	151	—	25	21	23	9	10	20	15
Animal products	3	6	6	6	7	6	8	9	—	5	4	5	5	6	6	6
Textiles	26	45	43	41	39	39	42	45	2	1	1	1	1	1	2	2
Wood and paper products	30	138	115	133	133	192	184	191	2	9	10	15	22	19	11	16
Iron and products	4	185	191	190	190	185	185	179	1	58	65	68	61	53	59	59
Non-ferrous metals	8	65	65	60	62	59	58	64	—	28	24	23	23	31	33	38
Non-metallic minerals	4	38	37	49	49	31	25	22	—	68	72	80	80	84	77	85
Chemicals and allied products	19	162	170	177	176	177	182	186	7	31	33	38	41	56	42	47
Miscellaneous manufactures	2	5	5	5	5	4	5	5	—	1	1	1	1	1	1	1
Sub-totals (excluding petroleum refining)	156	768	755	790	807	845	836	852	12	226	231	254	243	261	251	269
Petroleum and natural gas	—	208*	234	298	323	390	470	476	—	220*	240	326	332	339	460	474
Other mining and smelting	22	66	62	67	63	104	100	111	—	25*	36	24	29	37	43	61
Utilities (excluding pipelines)	16	40	38	38	33	14	13	14	1	21	23	18	16	11	7	7
Merchandising	51	208	231	236	244	268	275	283	4	48	53	58	53	77	87	90
Financial	98	198	246	234	222	265	261	248	43	238	243	248	251	300	383	465
Other enterprises	5	47	47	43	45	58	58	62	1	10	14	20	19	19	24	26
Totals	348	1,535	1,613	1,706	1,737	1,944	2,013	2,046	61	788	840	948	943	1,044	1,255	1,392

¹ Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VIII and IX.

**Estimated Distribution of Ownership of Net Canadian Long-term Funded Debt,
End of 1956 and 1966**

Classification by currency of payment

Debtor and currency	Amounts outstanding		Distribution of ownership							
			Canada		United States		United Kingdom		Other countries	
	1956	1966	1956	1966	1956	1966	1956	1966	1956	1966
millions of dollars										
Government of Canada, direct and guaranteed excluding railways:										
Payable in Canadian dollars only ¹	12,543	17,249	12,200	16,787	228	299	28	7	87	156
Payable in foreign currencies only	343	187	184	—	112	187	44	—	3	—
Payable optionally in Canadian or foreign currencies	—	—	—	—	—	—	—	—	—	—
Sub-totals	12,886	17,436	12,384	16,787	340	486	72	7	90	156
Provincial, direct and guaranteed excluding railways:										
Payable in Canadian dollars only	3,073	9,162	2,952	8,789	68	280	38	60	15	33
Payable in foreign currencies only	694	2,748	1	6	692	2,721	1	12	—	9
Payable optionally in Canadian or foreign currencies	283	75	16	19	261	55	6	1	—	—
Sub-totals	4,050	11,985	2,969	8,814	1,021	3,056	45	73	15	42
Municipal:										
Payable in Canadian dollars only	1,833	4,666	1,728	4,390	73	242	27	24	5	10
Payable in foreign currencies only	395	1,042	—	5	391	1,029	3	3	1	5
Payable optionally in Canadian or foreign currencies	73	33	21	13	47	19	5	1	—	—
Sub-totals	2,301	5,741	1,749	4,408	511	1,290	35	28	6	15
Railways:										
Payable in Canadian dollars only	868	1,557	845	1,425	8	41	8	14	7	77
Payable in foreign currencies only	427	444	1	22	139	155	285	245	2	22
Payable optionally in Canadian or foreign currencies	119	—	64	—	35	—	3	—	17	—
Sub-totals	1,414	2,001	910	1,447	182	196	296	259	26	99
Other corporations:										
Payable in Canadian dollars only	4,213	10,434	3,655	9,184	356	1,004	155	150	47	96
Payable in foreign currencies only	847	3,000	13	144	813	2,827	9	8	12	21
Payable optionally in Canadian or foreign currencies	150	45	46	18	83	27	8	—	13	—
Sub-totals	5,210	13,479	3,714	9,346	1,252²	3,858²	172	158	72	117
Total bonds and debentures:										
Payable in Canadian dollars only	22,530	43,067	21,380	40,575	733	1,866	256	254	161	372
Payable in foreign currencies only	2,706	7,422	199	177	2,147	6,919	342	269	18	57
Payable optionally in Canadian or foreign currencies	625	153	147	50	426	101	22	2	30	—
Totals	25,861	50,642	21,726	40,802	3,306	8,886	620	525	209	429

	1956	1966
¹ Excludes treasury bills and notes	1,575	2,170
² Includes corporate bonds held by United States parent companies and affiliates:		
Payable in Canadian dollars only	4	3
Payable in foreign currencies only	154	144
Payable optionally in Canadian or foreign currencies	39	—
Totals	197	147

STATISTICS OF THE CANADIAN
BALANCE OF INTERNATIONAL PAYMENTS

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Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries
Third Quarters 1968 and 1969 and Changes between the Periods

	1968	1969	Change	1968	1969	Change
	millions of dollars					
	All Countries			United States		
Merchandise exports (adjusted)	3,342	3,682	+ 340	2,199	2,562	+ 363
Merchandise imports (adjusted)	2,859	3,316	+ 457	2,019	2,283	+ 264
Balance on merchandise trade	+ 483	+ 366	- 117	+ 180	+ 279	+ 99
Other current receipts	1,243	1,308	+ 65	905	968	+ 63
Other current payments	1,393	1,534	+ 141	929	1,002	+ 73
Balance on non-merchandise transactions ...	- 150	- 226	- 76	- 24	- 34	- 10
Total receipts	4,585	4,990	+ 405	3,104	3,530	+ 426
Total payments	4,252	4,850	+ 598	2,948	3,285	+ 337
Current account balance	+ 333	+ 140	- 193	+ 156	+ 245	+ 89
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted)	323	271	- 52	165	174	+ 9
Merchandise imports (adjusted)	161	215	+ 54	130	168	+ 38
Balance on merchandise trade	+ 162	+ 56	- 106	+ 35	+ 6	- 29
Other current receipts	100	111	+ 11	66	65	- 1
Other current payments	150	164	+ 14	51	49	- 2
Balance on non-merchandise transactions ...	- 50	- 53	- 3	+ 15	+ 16	+ 1
Total receipts	423	382	- 41	231	239	+ 8
Total payments	311	379	+ 68	181	217	+ 36
Current account balance	+ 112	+ 3	- 109	+ 50	+ 22	- 28
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted)	283	308	+ 25	372	367	- 5
Merchandise imports (adjusted)	235	283	+ 48	314	367	+ 53
Balance on merchandise trade	+ 48	+ 25	- 23	+ 58	-	- 58
Other current receipts	81	80	- 1	91	84	- 7
Other current payments	181	221	+ 40	82	98	+ 16
Balance on non-merchandise transactions ...	- 100	- 141	- 41	+ 9	- 14	- 23
Total receipts	364	388	+ 24	463	451	- 12
Total payments	416	504	+ 88	396	465	+ 69
Current account balance	- 52	- 116	- 64	+ 67	- 14	- 81

Note: Exports of goods and services as published in the National Income and Expenditure Accounts exclude inheritances and immigrants' funds and personal and institutional remittances. Imports of goods and services include withholding tax and exclude inheritances and emigrants' funds, personal and institutional remittances, official contributions and pension payments.

Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries
First Nine Months 1968 and 1969 and Changes between the Periods

	1968	1969	Change	1968	1969	Change
millions of dollars						
	All Countries			United States		
Merchandise exports (adjusted)	9,871	10,956	+ 1,085	6,584	7,687	+ 1,103
Merchandise imports (adjusted)	8,753	10,250	+ 1,497	6,402	7,398	+ 996
Balance on merchandise trade	+ 1,118	+ 706	- 412	+ 182	+ 289	+ 107
Other current receipts	2,765	3,021	+ 256	1,890	2,086	+ 196
Other current payments	3,797	4,177	+ 380	2,626	2,835	+ 209
Balance on non-merchandise transactions	- 1,032	- 1,156	- 124	- 736	- 749	- 13
Total receipts	12,636	13,977	+ 1,341	8,474	9,773	+ 1,299
Total payments	12,550	14,427	+ 1,877	9,028	10,233	+ 1,205
Current account balance	+ 86	- 450	- 536	- 554	- 460	+ 94
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted)	938	851	- 87	466	470	+ 4
Merchandise imports (adjusted)	501	620	+ 119	317	414	+ 97
Balance on merchandise trade	+ 437	+ 231	- 206	+ 149	+ 56	- 93
Other current receipts	276	328	+ 52	161	175	+ 14
Other current payments	353	388	+ 35	141	163	+ 22
Balance on non-merchandise transactions	- 77	- 60	+ 17	+ 20	+ 12	- 8
Total receipts	1,214	1,179	- 35	627	645	+ 18
Total payments	854	1,008	+ 154	458	577	+ 119
Current account balance	+ 360	+ 171	- 189	+ 169	+ 68	- 101
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted)	756	884	+ 128	1,127	1,064	- 63
Merchandise imports (adjusted)	656	807	+ 151	877	1,011	+ 134
Balance on merchandise trade	+ 100	+ 77	- 23	+ 250	+ 53	- 197
Other current receipts	211	214	+ 3	227	218	- 9
Other current payments	461	539	+ 78	216	252	+ 36
Balance on non-merchandise transactions	- 250	- 325	- 75	+ 11	- 34	- 45
Total receipts	967	1,098	+ 131	1,354	1,282	- 72
Total payments	1,117	1,346	+ 229	1,093	1,263	+ 170
Current account balance	- 150	- 248	- 98	+ 261	+ 19	- 242

Note: Exports of goods and services as published in the National Income and Expenditure Accounts exclude inheritances and immigrants' funds and personal and institutional remittances. Imports of goods and services include withholding tax and exclude inheritances and emigrants' funds, personal and institutional remittances, official contributions and pension payments.

Exports and Imports of Goods and Services, Seasonally adjusted, 1968-69

	1968					1969		
	I Q	II Q	III Q	IV Q	Year	I Q	II Q	III Q
	millions of dollars							
<u>Receipts</u>								
Merchandise exports (adjusted)	3,268	3,361	3,334	3,575	13,538	3,748	3,611	3,776
Gold production available for export	31	28	32	29	120	29	29	29
Travel expenditures	241	257	252	242	992	275	278	266
Interest and dividends	71	85	94	81	331	97	124	95
Freight and shipping	220	223	222	229	894	230	230	231
Inheritances and immigrants' funds	77	90	109	94	370	87	90	87
All other current receipts	211	219	221	224	875	248	256	263
Sub-totals, non-merchandise transactions ..	851	902	930	899	3,582	966	1,007	971
Totals	4,119	4,263	4,264	4,474	17,120	4,714	4,618	4,747
<u>Payments</u>								
Merchandise imports (adjusted)	2,967	2,908	3,007	3,280	12,162	3,484	3,455	3,464
Gold production available for export	-	-	-	-	-	-	-	-
Travel expenditures	240	239	278	258	1,015	290	321	342
Interest and dividends	321	337	336	296	1,290	338	346	341
Freight and shipping	228	232	232	245	937	244	248	246
Inheritances and emigrants' funds	56	58	48	47	209	53	54	45
All other current payments (including official contributions)	385	397	418	418	1,618	410	426	452
Sub-totals, non-merchandise transactions ..	1,230	1,263	1,312	1,264	5,069	1,335	1,395	1,426
Totals	4,197	4,171	4,319	4,544	17,231	4,819	4,850	4,890
<u>Balance</u>								
Merchandise trade (adjusted)	+ 301	+ 453	+ 327	+ 295	+ 1,376	+ 264	+ 156	+ 312
Gold production available for export	+ 31	+ 28	+ 32	+ 29	+ 120	+ 29	+ 29	+ 29
Travel expenditures	+ 1	+ 18	- 26	- 16	- 23	- 15	- 43	- 76
Interest and dividends	- 250	- 252	- 242	- 215	- 959	- 241	- 222	- 246
Freight and shipping	- 8	- 9	- 10	- 16	- 43	- 14	- 18	- 15
Inheritances and migrants' funds	+ 21	+ 32	+ 61	+ 47	+ 161	+ 34	+ 36	+ 42
All other current transactions (including official contributions)	- 174	- 178	- 197	- 194	- 743	- 162	- 170	- 189
Sub-totals, non-merchandise transactions ..	- 379	- 361	- 382	- 365	- 1,487	- 369	- 388	- 455
Totals	- 78	+ 92	- 55	- 70	- 111	- 105	- 232	- 143

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are mostly final.

No.		1967		1968		
		III	IV	I	II	III
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	2,691	3,048	3,017	3,512	3,342
3	Gold production available for export	26	26	33	27	32
4	Travel expenditures	723	166	79	235	548
5	Interest and dividends	64	107	61	78	78
6	Freight and shipping	218	222	192	229	234
7	Inheritances and immigrants' funds	104	73	55	99	131
11	All other current receipts	215	208	214	220	220
12	Total current receipts	4,041	3,850	3,651	4,400	4,585
B	Current payments:					
1	Merchandise imports (adjusted)	2,591	2,725	2,754	3,140	2,859
4	Travel expenditures	298	155	209	258	375
5	Interest and dividends	280	413	293	314	297
6	Freight and shipping	227	225	193	243	247
7	Inheritances and emigrants' funds	65	59	47	54	57
9	Official contributions	21	29	14	40	50
11	All other current payments	359	361	369	370	367
12	Total current payments	3,841	3,967	3,879	4,419	4,252
C	Current account balance:					
1	Merchandise trade	+ 100	+ 323	+ 263	+ 372	+ 483
2	Other transactions, excluding B 9	+ 121	- 411	- 477	- 351	- 100
3	Official contributions	- 21	- 29	- 14	- 40	- 50
4	Total	+ 200	- 117	- 228	- 19	+ 333
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 166	+ 185	+ 20	+ 229	+ 178
2	Direct investment abroad	- 34	- 38	- 66	+ 17	- 9
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	- 10	- 14	- 52	- 11	- 13
3.2	Trade in outstanding common and preference stocks	+ 29	+ 52	+ 15	+ 34	+ 10
4	New issues	+ 276	+ 424	+ 407	+ 708	+ 452
5	Retirements	- 49	- 98	- 124	- 120	- 37
6,7,8	Foreign securities	- 144	- 138	- 89	- 129	- 132
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	- 9	- 23	- 10	- 8	- 16
10	Repayments to Canada	+ 1	+ 20	+ 2	+ 2	+ 1
11	Columbia River Treaty, net	-	+ 44	-	-	-
13	Long-term capital transactions n.i.e.	+ 87	+ 93	+ 29	+ 20	- 74
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	+ 7	+ 28	+ 8	+ 4	+ 4
14.2	Government of Canada demand liabilities	- 2	+ 11	- 4	- 3	+ 1
14.3	Canadian treasury bills	- 17	- 2	+ 23	+ 1	+ 11
17	Other capital movements	- 445	- 398	- 696	- 105	- 548
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 313	+ 507	+ 132	+ 742	+ 360
2	Short-term forms (D14 to D17)	- 457	- 361	- 669	- 103	- 532
3	Total	- 144	+ 146	- 537	+ 639	- 172
H = C+E	Official monetary movements in the form of:					
1	Change in official holdings of gold and foreign exchange	+ 55	+ 51	- 23	+ 355	- 43
2	Change in net International Monetary Fund position	+ 1	- 22	- 471	+ 130	+ 70
3	Reciprocal swap facility with Federal Reserve System	-	-	- 271	+ 135	+ 134

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are mostly final.

1968	1969			Annual totals		Four quarters ended September 30, 1969	No.
IV	I	II	III	1967	1968		
millions of dollars							
3,667	3,469	3,805	3,682	11,338	13,538	14,623	A
28	31	28	29	112	120	116	1
130	90	260	585	1,318	992	1,065	3
114	83	114	80	295	331	391	4
239	201	236	243	830	894	919	5
85	62	100	109	329	370	356	6
221	251	257	262	863	875	991	7
4,484	4,187	4,800	4,990	15,085	17,120	18,461	11
							12
3,409	3,226	3,708	3,316	10,772	12,162	13,659	B
173	260	346	468	895	1,015	1,247	1
386	309	320	299	1,211	1,290	1,314	4
254	207	260	262	861	937	983	5
51	44	50	53	213	209	198	6
29	16	48	46	182	133	139	7
379	390	393	406	1,450	1,485	1,568	9
4,681	4,452	5,125	4,850	15,584	17,231	19,108	11
							12
+ 258	+ 243	+ 97	+ 366	+ 566	+ 1,376	+ 964	C
- 426	- 492	- 374	- 180	+ 883	- 1,354	- 1,474	1
- 29	- 16	- 48	- 46	- 182	- 133	- 139	2
- 197	- 265	- 325	+ 140	- 499	- 111	- 647	3
							4
+ 183	+ 130	+ 245	+ 95	+ 691	+ 610	+ 653	D
- 77	- 55	- 110	- 30	- 125	- 135	- 272	1
							2
+ 7	+ 17	- 6	- 11	- 57	- 69	+ 7	3.1
+ 53	+ 37	+ 44	- 4	+ 12	+ 112	+ 130	3.2
+ 366	+ 643	+ 506	+ 563	+ 1,307	+ 1,933	+ 2,078	4
- 114	- 69	- 126	- 49	- 357	- 395	- 358	5
- 118	- 58	- 8	- 64	- 432	- 468	- 120	6,7,8
- 44	- 11	- 43	- 15	- 38	- 78	- 113	9
-	-	+ 2	-	+ 34	+ 5	+ 2	10
+ 88	-	-	-	+ 44	+ 88	+ 88	11
+ 12	- 85	- 23	- 8	+ 268	- 13	- 104	13
+ 54	- 11	+ 25	- 4	+ 24	+ 70	+ 64	14.1
+ 27	- 2	- 30	+ 1	- 4	+ 21	- 4	14.2
+ 13	+ 13	- 5	- 3	+ 4	+ 48	+ 18	14.3
+ 84	- 321	- 205	- 743	- 854	- 1,265	- 1,185	17
+ 356	+ 549	+ 481	+ 605	+ 1,347	+ 1,590	+ 1,991	E
+ 178	- 321	- 215	- 749	- 830	- 1,126	- 1,107	1
+ 534	+ 228	+ 266	- 144	+ 517	+ 464	+ 884	2
							3
+ 315	- 53	- 168	- 91	+ 34	+ 604	+ 3	H = C+E
+ 22	+ 16	+ 109	+ 87	- 16	- 249	+ 234	1
-	-	-	-	-	- 2	-	2
							3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

CATALOGUE No.

67-001

QUARTERLY



SYSTEM OF NATIONAL ACCOUNTS

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER
AND PRELIMINARY ANNUAL

1969

Published by Authority of
The Minister of Industry, Trade and Commerce

DOMINION BUREAU OF STATISTICS

Balance of Payments and Financial
Flows Division

Balance of Payments Section

March 1970
2306-502

Price: 50 cents
\$2.00 a year

Vol. 17—No. 4

The basic historical record of the Canadian quarterly Balance of Payments with all countries (including bilateral transactions) may be obtained from the following publications.

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information	1.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1967" revised 1965 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1969" for revised bilateral data for 1966 and 1967 and for revised global data for 1968 .....	.50

Note: Additional subsidiary detail published regularly may be traced through the successive quarterly reports.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER 1969 AND PRELIMINARY ESTIMATES FOR THE YEAR 1969

In a year of continuing expansion, resulting in a more than 9 per cent gain in the value of the Nation's output, international transactions in goods and services both demanded and supplied by Canada rose sharply. The total value of goods and services imported rose 13 1/2 per cent, while exports advanced by 10 per cent. Reflecting these differing rates of growth in imports and exports the current account deficit in 1969 rose to \$722 million, some \$662 million above the 1968 level. The major factor in this change was the \$508 million reduction in the merchandise trade surplus to \$868 million. The export pattern was severely distorted by the curtailment of supplies from strike-bound industries while continued difficulties were also experienced in the marketing of commodities such as wheat. The exchange rate changes for the deutschmark and French franc are not yet thought to have had any noticeable impact on trading patterns. As an anti-inflationary measure, the timing of tariff reductions under the Kennedy Round was accelerated by the Canadian Government and reductions introduced in mid-year have had competitive effects for the products of certain industries. Non-merchandise transactions led to a larger deficit of \$1,590 million principally due to increased net disbursements on the travel account. The current account balance, adjusted for seasonal variations, was relatively strong in the fourth quarter of the year as the supply situation for exports returned to normal after the strikes experienced in previous quarters of the year.

Summary Statement

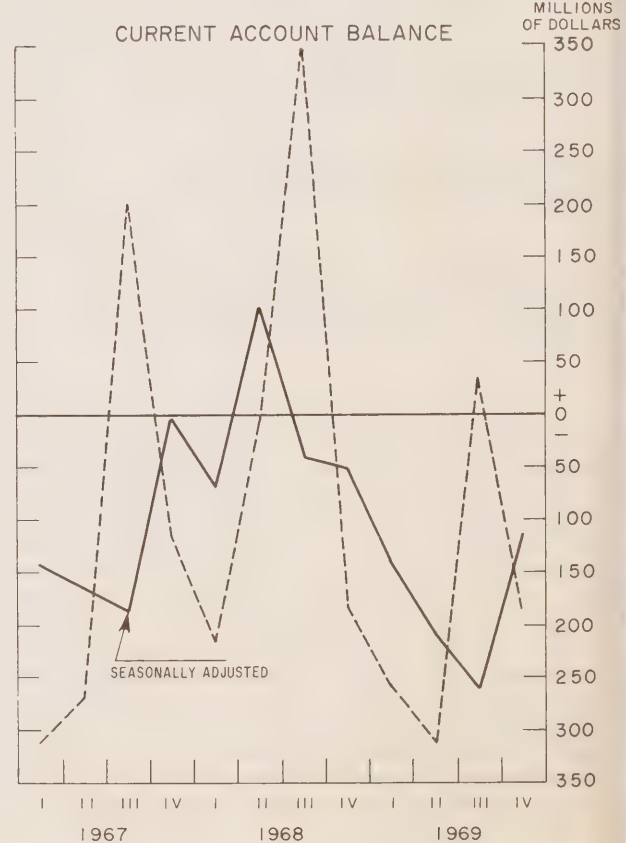
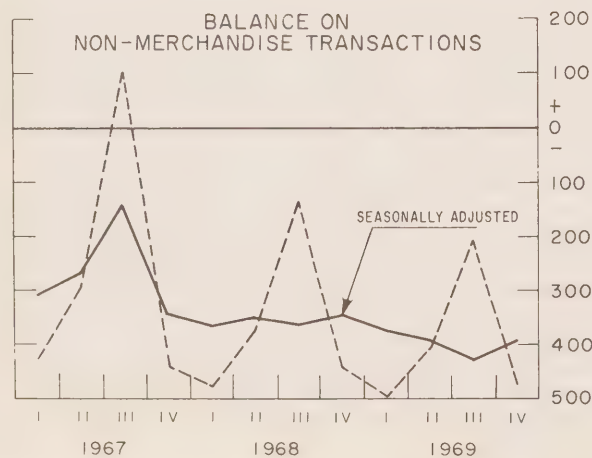
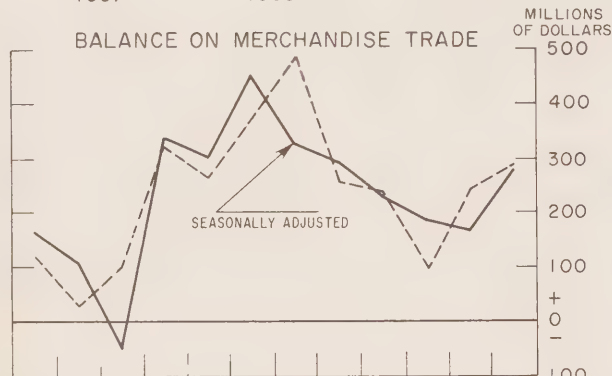
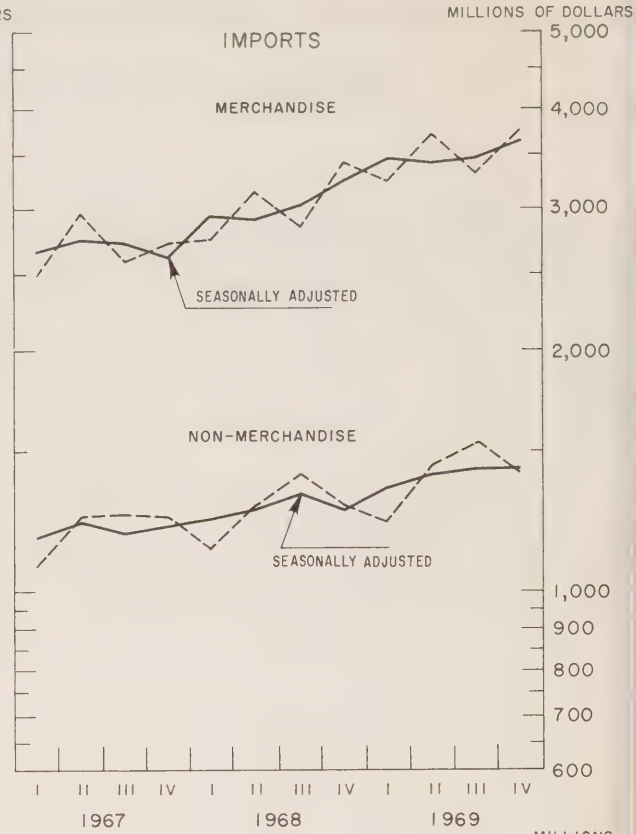
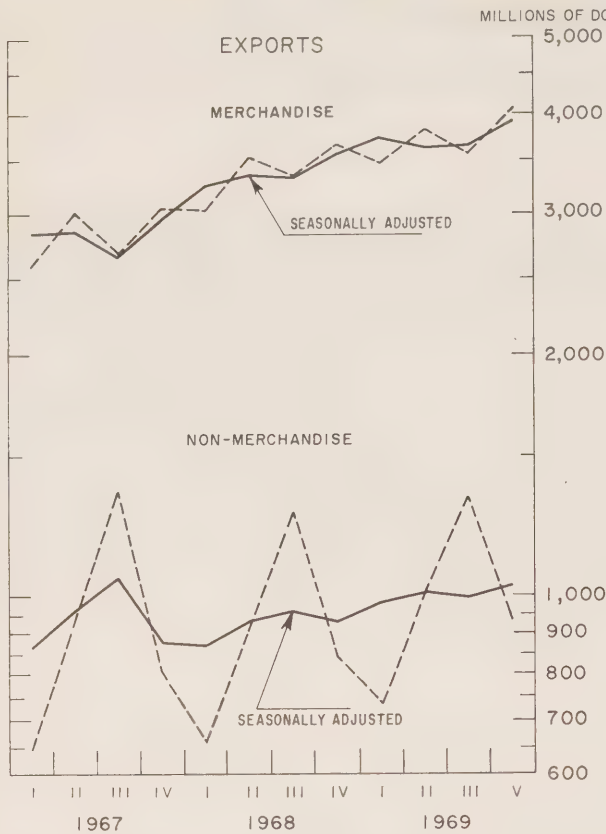
	1967	1968	1969	1968	1969				
				IV Q	I Q	II Q	III Q	IV Q	
				millions of dollars					
Merchandise trade balance	+ 566	+ 1,376	+ 868	+ 258	+ 239	+ 99	+ 241	+ 289	
Balance on non-merchandise transactions	- 1,065	- 1,436	- 1,590	- 442	- 497	- 410	- 208	- 475	
Current account balance	- 499	- 60	- 722	- 184	- 258	- 311	+ 33	- 186	
Capital movements in long-term forms ..	+ 1,347	+ 1,590	+ 2,162	+ 356	+ 543	+ 483	+ 624	+ 512	
Capital movements in short-term forms	- 828	- 1,181	- 1,375	+ 159	- 323	- 226	- 662	- 164	
Net capital movement(1)	+ 519	+ 409	+ 787	+ 515	+ 220	+ 257	- 38	+ 348	
Official monetary movements(2)	+ 20	+ 349	+ 65	+ 331	- 38	- 54	- 5	+ 162	

(1) Excluding items in final line.

(2) Change in international reserves and monetary liabilities.

Inflows of capital in long-term forms increased by \$572 million to \$2,162 million as new Canadian issues sold to non-residents rose by \$125 million to exceed \$2 billion for the first time. Resort to foreign borrowing on this scale reflected the extreme tightness in the availability of domestic funds and relatively lower interest rates prevailing abroad. The main factor in the increased inflow was, however, the swing in foreign security transactions from an outflow of \$468 million in 1968 to an inflow of \$96 million in the period under review, as Canadian investors, particularly institutions, adjusted their holdings in the light of their overall portfolio requirements and current market conditions. Short-term capital outflows rose by \$194 million to reach \$1,375 million. Increases in Canadian holdings of bank balances and other short-term funds abroad produced an outflow of \$1,609 million as interest rates in the Euro-dollar market rose appreciably above short-term rates in Canada. Included in short-term capital flows are amounts reflecting movements which have not yet been identified. As indicated later in this report the errors and omissions element of the Canadian balance of payments during 1969 as currently measured reflects unidentified net payments of about \$250 million. In accordance with past Canadian practice the figure has been included in the account with the United States as one element in item D 17.5, covering "all other transactions" in short-term forms. It may, of course, reflect in part transactions which properly belong to other categories.

CURRENT ACCOUNT TRANSACTIONS



Canada's net official monetary assets increased by \$65 million over the year. Quarterly fluctuations in these assets were not nearly as volatile in 1969 as in the previous year when the Canadian dollar came under speculative attack. Speculative interest centred more on the role of gold and the strengths of the deutschemark, French franc and sterling. By the end of the year conditions in foreign exchange markets generally were settled awaiting the introduction of the Special Drawing Rights system of the International Monetary Fund on January 1, 1970.

The book value of Canada's balance of international indebtedness is estimated to have exceeded \$27 billion by the end of 1969. The increase of over \$1 billion during the year reflected the net earnings accruing but undistributed on international investment as well as the financing of the current account deficit. Long-term foreign investment in Canada was about \$40 billion and other claims of non-residents brought the total of Canada's external liabilities to about \$44 billion. Canadian assets abroad had a book value of about \$17 billion including long-term investments amounting to about \$9 1/2 billion. The most recent comprehensive estimates of the Canadian balance of international indebtedness were included in the report for the third quarter 1969.

Merchandise Trade

Based on generally strong demand conditions in the United States and in Canada, which persisted in the face of severe anti-inflationary measures, merchandise trade continued to expand in 1969. World trade rose sharply during the year and Canadian exports and imports advanced at a pace more or less in line with this development, the former increasing by 10 per cent to \$14,886 million, while the latter, growing at a rate of 15 per cent, reached \$14,018 million. A significant part of the increased levels reflected price rises. The export growth rate which fell below that of imports contrasted with the 1968 performance when exports rose much the faster. As a result of the slowdown in the growth of exports and increased growth of imports, the merchandise trade surplus fell by about \$500 million to \$868 million. Except for 1968, however, the 1969 trade surplus was the highest recorded since the Second World War.

Merchandise Exports 1969

Selected exports by destination with adjustments for Balance of Payments purposes

	Destination						Per cent of total domestic exports (Trade of Canada)
	United States	United Kingdom	Other Western Europe	Japan	Other countries	All countries	
	millions of dollars						
<u>DOMESTIC EXPORTS (Trade of Canada)</u>	10,215	1,096	1,133	625	1,373	14,442	100.0
Of which:							
Motor vehicles, engines and parts	3,297	6	15	-	185	3,503	24.2
Newsprint paper	920	61	13	18	114	1,126	7.7
Wood pulp	517	36	105	62	33	753	5.2
Crude petroleum and natural gas	702	-	-	-	-	702	4.8
Lumber	560	38	30	39	34	701	4.8
Copper ores and alloys	150	98	123	138	26	535	3.7
Aluminum ores and alloys	226	75	58	61	74	494	3.4
Wheat	1	88	108	76	198	471	3.3
Nickel ores and alloys	230	110	88	13	10	451	3.1
Iron ore	231	30	49	22	1	333	2.3
Aircraft, engines and parts	242	3	29	1	50	325	2.2
Fabricated iron and steel	228	13	17	8	35	301	2.1
<u>RE-EXPORTS (Trade of Canada)</u>	341	17	21	1	48	428	...
<u>ADJUSTMENTS</u>							
Wheat	-	+ 6	- 7	- 11	+ 23	+ 11	...
Automobiles	- 53	-	-	-	-	- 53	...
Aircraft and other adjustments ..	- 3	-	+ 61	-	-	+ 58	...
<u>EXPORTS (Adjusted for Balance of Payments)</u>	10,500	1,119	1,208	615	1,444	14,886	...

A combination of factors contributed to this change. In 1969 exports of metals tended to slow down due to the return to a more usual demand pattern following the settlement of labour problems in the United States in 1968; moreover supplies for export markets suffered because of prolonged strikes in the Canadian iron, steel, nickel and copper industries in 1969. Sales of wheat continued to decline reflecting increased production in importing countries and world oversupply. To meet the increasing competition which had driven prices below the International Grains Arrangement minimum, Canadian wheat prices were reduced in the second quarter of 1969. While there was a decline in the relative share of exports of crude materials from about 19 per cent in 1968 to 17 per cent in 1969 the share of the end products rose by nearly five percentage points to about 37 per cent of total domestic exports. Most of the advance in exports consisted of increased sales of automotive products but substantial increase were also recorded for lumber, woodpulp, newsprint, petroleum and various items of equipment. There were however significant reductions in exports of iron ore, nickel and copper. On a market basis, exports to the United States, France, West Germany, Spain, Sweden, South Africa, Japan, Argentina and Mexico increased, while sales to the United Kingdom, Norway, the U.S.S.R., India, China, Australia and Venezuela declined.

Merchandise Imports 1969

Selected imports by source with adjustments for Balance of Payments purposes

	Source							Per cent of total imports (Trade of Canada)
	United States	United Kingdom	Other Western Europe	Japan	Venez- uela	Other countries	All countries	
	millions of dollars							
<u>IMPORTS (Trade of Canada)</u>	10,315	790	1,124	496	346	1,131	14,202	100.0
Of which:								
Motor vehicles, engines and parts	3,322	95	157	71	-	1	3,646	25.7
Chemicals and chemical products	526	35	84	10	-	7	662	4.7
Crude petroleum, fuel oil and other petroleum products	77	2	7	-	345	186	617	4.3
Fabricated iron and steel	277	35	70	54	-	24	460	3.2
Aircraft, engines and parts	367	26	7	-	-	1	401	2.8
Communication equipment	264	18	31	75	-	6	394	2.8
Tractors and agricultural machinery	312	22	16	1	-	-	351	2.5
Electronic computers and office equipment	223	12	24	7	-	2	268	1.9
<u>ADJUSTMENTS</u>								
Automotive products	- 180	-	-	-	-	-	- 180	...
Aircraft and other equipment	- 10	+ 27	-	-	-	-	+ 17	...
Other adjustments	- 16	- 4	- 1	-	-	-	- 21	...
<u>IMPORTS (adjusted for Balance of Payments)</u>	10,109	813	1,123	496	346	1,131	14,018	...

On the imports side the high level of demand in Canada, the disruptive effects of labour disputes on domestic supplies, the improvement in the export capability of Canada's suppliers of imports and the continuing effects of industrial rationalization particularly in the automobile industry gave new impetus to the upward trend in imports. The acceleration of the Kennedy Round tariff cuts introduced by the Canadian Government about the middle of 1969 to increase price competition and help check inflationary price rises was also a factor. Imports of automotive products increased briskly.

ly though less than exports of these commodities. Although increases were general, the more notable of these occurred in meat, raw sugar, petroleum, chemicals, fabricated iron and steel, copper, nickel and machinery. Imports from the United States, United Kingdom, France, West Germany, Italy, Japan, Australia and New Zealand increased; on the other hand there were reductions in imports from the U.S.S.R., Saudia Arabia and Venezuela.

In 1969 adjustments to recorded trade figures for balance of payments purposes amounted to a net addition of about \$16 million to exports and a net deduction of \$184 million from imports. Exports were substantially increased by the addition of progress payments received in respect of aircraft being built for a foreign purchaser, however this effect was largely offset by reductions in export totals made to reflect automobile interplant selling prices. Import adjustments mainly represented reductions to automotive totals recorded on a fair market value to reflect automobile interplant selling prices and special tooling charges. Additions to imports for progress payments on aircraft were largely balanced by deductions representing aircraft deliveries in 1969 for which progress payments had been made in the past. The trade balance has thus been improved by about \$200 million as a result of the balance of payments adjustments. Some details of the Trade of Canada totals and the balance of payments adjustments are given in the accompanying statements. A more detailed description of these balance of payments adjustments to recorded trade figures is given in the second quarter 1969 report in this series.

Export and import prices continued to increase in 1969 the former rising by over 4 per cent and the latter by about 3 per cent. Within the three main groups of commodities, the highest relative export price increase was recorded in the fabricated materials group principally in iron, steel, copper and nickel products; the lowest rise occurred in the end products group. Both import and export prices for the end products group of commodities increased at the same rate whereas import price increases in the other two major groups were smaller. The different rates of price increase were most noticeable in the fabricated materials group of commodities.

Non-merchandise Transactions

Balances on Principal Non-merchandise Transactions

	1967	1968	1969	Change in 1969
	millions of dollars			
Gold production available for export	+ 112	+ 120	+ 110	- 10
Travel expenditures	+ 423	- 23	- 201	- 178
Interest and dividends	- 916	- 959	- 958	+ 1
Freight and shipping	- 31	- 43	- 60	- 17
Inheritances and migrants' funds	+ 116	+ 161	+ 173	+ 12
Official contributions	- 182	- 133	- 143	- 10
All other current transactions	- 587	- 559	- 511	+ 48
Balance on non-merchandise transactions	- 1,065	- 1,436	- 1,590	- 154

In 1969 there was a deficit of \$1,590 million on non-merchandise transactions, an increase of \$154 million over the 1968 deficit. Total receipts rose by 9 per cent to \$4,001 million while total payments went up by about 10 per cent to \$5,591 million. The rise in the deficit on non-merchandise transactions was due principally to higher net disbursements on the travel account of \$178 million in 1969. Besides such factors as the increase in the number of residents travelling abroad and a rise in their average expenditures, higher travel payments to non-residents in 1969 also occurred as a result of the increased patronage by Canadians of foreign airlines during the Air Canada strike in the second quarter of the year. Rising prices in most of the major tourist centres were also a factor in the higher spending levels recorded in 1969.

Travel Expenditures

	1967	1968(1)	1969	Change in 1969
millions of dollars				
United States:				
Receipts ...	1,164	886	969	+ 83
Payments ...	627	703	878	+ 175
Balance	+ 537	+ 183	+ 91	- 92
Overseas:				
Receipts ...	154	106	110	+ 4
Payments ...	268	312	402	+ 90
Balance	- 114	- 206	- 292	- 86
All countries:				
Receipts ...	1,318	992	1,079	+ 87
Payments ...	895	1,015	1,280	+ 265
Balance	+ 423	- 23	- 201	- 178

(1) Impending revisions to these data indicate a small increase in the overall deficit. Revisions in component series may be relatively more significant.

Interest and Dividends

Period	Receipts		
	Total	Interest	Dividends
millions of dollars			
1967	295	102	193
1968	331	102	229
1969	406	164	242
1968 I Q	61	10	51
II Q	78	30	48
III Q	78	28	50
IV Q	114	34	80
1969 I Q	83	32	51
II Q	114	36	78
III Q	80	31	49
IV Q	129	65	64
	Payments		
	Total	Interest	Dividends
1967	1,211	471	740
1968	1,290	548	742
1969	1,364	650	714
1968 I Q	293	122	171
II Q	314	144	170
III Q	297	122	175
IV Q	386	160	226
1969 I Q	309	142	167
II Q	320	174	146
III Q	299	151	148
IV Q	436	183	253

The higher level of interest rates prevailing in 1969 exerted some moderating influence on the rise in the overall deficit on non-merchandise transactions. Although higher long-term rates on new bond issues increased payments of interest during the year, the earnings on short-term funds held abroad which can be rolled over more quickly to take advantage of changing interest rates more than offset the higher payments. These latter earnings are included in the miscellaneous income account.

The net balance from receipts and payments of interest and dividends was virtually unchanged moving from a deficit of \$959 million in 1968 to \$958 million in 1969. A relatively sharp rise occurred in income receipts, which increased by \$75 million to \$406 million in 1969, while total payments of interest and dividends rising by almost the same amount as in the previous year aggregated \$1,364 million. Interest payments continued to rise consistently increasing by \$102 million to \$650 million in 1969. More than three fourths of this increase was attributable to larger interest payments on bonds of municipal, provincial and federal governments held by non-residents. The rest of the increase was accounted for by the rise in interest payments on corporate bonds. Geographical distribution of interest payments retained in general a similar pattern to previous years although payments to countries of continental Europe increased at a faster rate. The increase in interest payments was to some extent offset by a decline of \$28 million in dividend payments and branch profits. Although the fourth quarter of 1969 recorded a \$27 million increase in dividend payments over the corresponding quarter of 1968 it was not sufficiently large to compensate for reduced payments in the first three quarters of 1969 as compared with the same period of 1968. Decreased profits of branch operations of foreign companies in the second and third quarters of 1969 were chiefly responsible for this decline as strikes in a key sector of the economy exerted an unfavourable impact on earnings.

Most of the increase of \$75 million in income receipts was due to a rise in interest receipts reflecting higher earnings on both private holdings of foreign bond issues and official holdings of foreign exchange. Further, interest receipts were also augmented by the payments made by the United Kingdom on the 1946 loan. In 1968 the United Kingdom had exercised its waiver rights under the 1946 loan agreement to defer interest payments. In spite of a drop in dividend receipts of \$16 million in the fourth quarter of 1969 total annual receipts exceeded those in 1968 by \$13 million resulting chiefly from exceptionally high dividend receipts in the second quarter of 1969. Geographically, nearly three fifths of total dividend receipts continued to be received from the United States. The net balance from receipts and payments of interest and dividends accounted for about 60 per cent of the deficit on non-merchandise transactions, some 7 percentage points lower than in 1968.

The deficit on freight and shipping transactions increased to \$60 million in 1969. Both the receipts and payments rose in line with the growing volume of trade but the greater increase in imports led to a higher rate of increase in transportation payments than in receipts. Despite a reduction of about 2 per cent in receipts, the surplus on migrants' transfers and inheritances rose by \$12 million to \$173 million. In 1969 there was a reduction of about 12 per cent in the total number of immigrants. The effect of the reduction in numbers, mainly from Western Europe, was however partly offset by an increase in per capita funds brought by immigrants particularly from the United States and the United Kingdom. The flow of immigrants and returning Canadians from the United States continued at about the same pace as in the previous year. Transfers of funds by emigrants were about 10 per cent less than in 1968 as the number of Canadians migrating to the United States declined, due in part to the imposition of restrictions on Canadians migrating to the United States through the introduction in 1968 of a common hemisphere quota and a selection system. The pattern of migration is influenced by such factors as fluctuations in the economic, social and political climate in Canada and other countries, changes in migration legislation and inter-country competition for immigrants.

All Other Current Transactions

	Receipts			Payments		
	1967	1968	1969	1967	1968	1969
	millions of dollars					
Government transactions, excluding official contributions	237	226	236	411	247	252
Personal and institutional remittances	43	43	44	138	110	123
Miscellaneous income	169	252	364	304	342	390
Business services and other transactions	414	442	465	779	823	855
Totals	863	963	1,109	1,632	1,522	1,620
Net balances .....	...	...	...	769	559	511

The "all other current transactions" item showed an improvement of \$48 million in the deficit which in 1969 amounted to \$559 million. The 1968 data for this item have been revised to include under miscellaneous income new estimates of the earnings of residents on their holdings of foreign currency. Receipts of miscellaneous income grew by about 45 per cent reflecting both a further build up in these holdings and higher interest rates. As a result the 15 per cent rate of increase of all other current receipts, has been more than twice that of the increase in all other current payments. Receipts from business services and other transactions increased by 5 per cent to \$465 million. Payments of miscellaneous income rose by 14 per cent to \$390 million while payments for business services and other transactions went up by 4 per cent to \$855 million.

At \$110 million, gold production available for export was \$10 million less than that in 1968. The segregation in March 1968 of monetary gold from non-monetary gold coupled with a two-tier pricing system has led to changes in the marketing of gold production. The price of gold on the non-monetary market which had been at a substantial premium over the official monetary price of US \$35 per ounce declined rapidly in the last quarter of 1969. Factors contributing to this decrease were the rising cost of financing holdings of this non-interest bearing asset, the imminent introduction by the International Monetary Fund of Special Drawing Rights and more stable conditions in the foreign exchange markets.

Official contributions which in 1968 had shown the first year-to-year decline in five years, resumed their upward trend increasing by 7 per cent to \$143 million. A slight decrease in international food aid program expenditures was more than offset by an increase in international economic, educational, and technical assistance.

Current Account Transactions in the Fourth Quarter - Seasonally Adjusted.

In the fourth quarter of 1969 the current account deficit, seasonally adjusted, fell to \$114 million. This was the lowest quarterly level of 1969 and marked a change in the trend of the current account balance which had shown increased quarter-to-quarter deficits since the third quarter of 1968. Total current receipts increasing by 6 per cent to \$4,936 million rose at twice the rate of current payments which increased by 3 per cent to \$5,050 million. The downward trend in the surplus balance on trade which had been evident since the third quarter of 1968 reversed in the fourth quarter when there was an increase of about 66 per cent in this surplus to \$280 million. Both merchandise exports and imports continued to increase, the former by 7 per cent to \$3,911 million and the latter increased by 4 per cent to \$3,631 million.

Balances on Current Transactions,
Seasonally Adjusted

	Merchandise balance	Balance on non- merchandise transactions	Current account balance(1)
		millions of	dollars
1968			
I Q	+ 301	- 369	- 68
II Q	+ 453	- 352	+ 101
III Q	+ 327	- 368	- 41
IV Q	+ 295	- 347	- 52
Year	+ 1,376	- 1,436	- 60
1969			
I Q	+ 235	- 375	- 140
II Q	+ 184	- 391	- 207
III Q	+ 169	- 430	- 261
IV Q	+ 280	- 394	- 114
Year	+ 868	- 1,590	- 722

(1) Exports of goods and services as published in the National Income and Expenditure Accounts exclude inheritances and immigrants' funds and personal and institutional remittances. Imports of goods and services include withholding tax and exclude inheritances and emigrants' funds, personal and institutional remittances, official contributions and pension payments.

Note: Details of current account items, seasonally adjusted, may be found at the back of this report.

market rose by three percentage points to 70 per cent. About three quarters of the increase in exports to the United States consisted of end products, mainly automotive products. Merchandise imports from the United States, representing 72 per cent of total Canadian imports, rose by 14 per cent to \$10,109 million. The increase in merchandise imports from the United States accounted for 67 per cent of the total rise in merchandise imports, and as in exports, the bulk of the increase was in the end products group of commodities.

The deficit balance on non-merchandise transactions fell by about 8 per cent to \$394 million. The principal positive changes occurred in travel, migrants' funds and inheritances and all other current transactions. At \$46 million the total improvement in the balances on these items amounted to about four times the total negative change in the balances of gold production available for export and interest and dividends. The reduction in the deficit on invisibles accounted for about 25 per cent of the total improvement of \$147 million in the seasonally adjusted current account balance.

Transactions by Areas

Notwithstanding restrictive policies adopted in both the United States and Canada to curb excessive price increases and domestic demand a notable feature of transactions between Canada and the United States in 1969 has been the sustained and strong flow of goods and services between the two countries. Total receipts on current account rose by 14 per cent to \$13,207 million while total payments increased by 12 per cent to \$13,917 million. Thus in 1969 the current account deficit with the United States was reduced by about 10 per cent to \$710 million.

At \$1,384 million the increase in merchandise exports to the United States, which in 1969 reached a level of \$10,500 million, was about 3 per cent higher than the total increase in merchandise exports to all countries. In 1969 the United States share of Canada's total export

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1968	- 410	- 278	+ 168	- 272	- 792
1969	- 385	- 306	+ 130	- 149	- 710
United Kingdom:					
1968	+ 128	+ 134	+ 118	+ 98	+ 478
1969	+ 115	+ 57	+ 10	+ 81	+ 263
Other countries:					
1968	+ 67	+ 138	+ 59	- 10	+ 254
1969	+ 12	- 62	- 107	- 118	- 275
All countries:					
1968	- 215	- 6	+ 345	- 184	- 60
1969	- 258	- 311	+ 33	- 186	- 722

unidentified items have been conventionally attributed to the United States account. These amounts are included in capital movements in short-term forms and were considerably larger at annual levels in 1968 than in 1969.

On non-merchandise transactions the deficit with the United States increased by about 6 per cent to \$1,101 million mainly due to a decrease in the travel surplus which fell by over 50 per cent to \$91 million. The chief factor partly offsetting this negative change was an improvement in the flows of inheritances and migrants' funds, the balance of which swung to a surplus of \$31 million from a deficit of \$8 million in 1968.

If the credit from gold production available for export is excluded Canada's current account deficit with the United States in 1969 fell to \$820 million from \$912 million in 1968. Net capital movements between the two countries produced an inflow of \$1,042 million, a swing of about \$1,250 million from the previous year as long-term inflows increased by \$418 million to \$1,502 million while short-term outflows fell by \$835 million to \$460 million. In sum these transactions with the United States gave rise to net receipts by Canada of \$222 million. It should be noted, however, that the amounts representing

Canada's Bilateral Accounts with the United States and the Rest of the World

	1967	1968	1969	1968 IV Q	1969 I Q	1969 II Q	1969 III Q	1969 IV Q
	millions of dollars							
Transactions with the United States:								
Current account balance(1)	- 1,454	- 912	- 820	- 300	- 416	- 334	+ 101	- 171
Capital movements in long-term forms	+ 1,244	+ 1,084	+ 1,502	+ 328	+ 335	+ 329	+ 451	+ 387
Capital movements in short-term forms(2)	- 947	- 1,295	- 460	+ 186	- 149	+ 314	- 538	- 87
Totals	- 1,157	- 1,123	+ 222	+ 214	- 230	+ 309	+ 14	+ 129
Transactions with the rest of the world:								
Current account balance	+ 843	+ 732	- 12	+ 88	+ 127	- 5	- 97	- 37
Capital movements in long-term forms	+ 103	+ 506	+ 660	+ 28	+ 208	+ 154	+ 173	+ 125
Capital movements in short-term forms	+ 119	+ 114	- 915	- 27	- 174	- 540	- 124	- 77
Totals	+ 1,065	+ 1,352	- 267	+ 89	+ 161	- 391	- 48	+ 11
Gold production available for export	+ 112	+ 120	+ 110	+ 28	+ 31	+ 28	+ 29	+ 22
Official monetary movements(3)	+ 20	+ 349	+ 65	+ 331	- 38	- 54	- 5	+ 162

(1) Excludes gold production available for export shown separately below.

(2) Includes the balancing item representing the difference in the global accounts between direct measurements of the current and capital accounts.

(3) Change in international reserves and monetary liabilities.

In transactions with the United Kingdom the current account surplus in 1969 declined for the second consecutive year dropping to \$263 million some 45 per cent below the 1968 surplus. Total receipts from the United Kingdom fell by 3 per cent to \$1,591 million while total payments rose by 15 per cent to \$1,328 million. The deterioration in the overall current account balance was totally due to the drop in the trade surplus. Policies of restraint in the United Kingdom, including the continuation of the temporary deposit scheme applied to imports, together with a scarcity of nickel and copper supplies led to a reduction of 10 per cent to \$1,119 million in merchandise sales to the United Kingdom from the 1968 record level. Imports from the United Kingdom probably reflecting in part the effect of the 1967 devaluation of sterling as well as the speed up in Canadian tariff reductions made in June of 1969, rose by about 20 per cent to \$813 million. The deficit on non-merchandise transactions with the United Kingdom was reduced by 47 per cent to \$43 million.

Current Account Balances with Principal
Countries and Areas

Area	1967	1968
	millions of dollars	
United States	- 1,342	- 792
Overseas:		
United Kingdom	+ 512	+ 478
Rest of Sterling Area	+ 181	+ 189
Other OECD (Europe)	- 153	- 249
Other countries	+ 303	+ 314
All countries	- 499	- 60
	1969	Change in 1969
United States	- 710	+ 82
Overseas:		
United Kingdom	+ 263	- 215
Rest of Sterling Area	+ 80	- 109
Other OECD (Europe)	- 354	- 105
Other countries	- 1	- 315
All countries	- 722	- 662

At \$866 million total current account receipts from the Rest of the Sterling Area were about 4 per cent above 1968 receipts, while total current payments increased by over 23 per cent to \$796 million, leading to a reduction of 63 per cent to \$70 million in the current account surplus with this group of countries. The balance on non-merchandise transactions remained practically unchanged from 1968 but the trade surplus, due mainly to higher imports, fell by about 77 per cent to \$37 million. There were relatively important increases in imports from Hong Kong, Singapore, Australia, New Zealand and Jamaica.

Current transactions with the OECD (Europe) group of countries produced a deficit of \$344 million, an increase of 38 per cent over 1968, as total current receipts rose by 14 per cent to \$1,497 million and total payments went up by about 18 per cent to \$1,841 million. A reduction in the merchandise trade surplus accounted for about 14 per cent of the increase in the deficit. Virtually all the non-merchandise items showed negative movements in the balance, the largest ones occurring in the travel, interest and dividend accounts. There were relatively significant increases in merchandise exports to France (the effects of the devaluation of the French franc had probably not as yet been fully felt), West Germany, Spain and Sweden, and a decline in exports to Norway. Imports from all the countries in this group increased.

\$314 million with Other Countries disappeared giving place to a deficit of \$1 million. There was a reduction of 6 per cent in total receipts which declined to \$1,726 million and an increase of 14 per cent in total payments which climbed to \$1,727 million. The balance on the invisible trade items worsened in total by \$52 million, about 54 per cent of which was due to reduce inflows of immigrants' funds and increased net miscellaneous payments. Merchandise exports to the U.S.S.R., China, and Venezuela were significantly down, the reductions being partly offset by increases to South Africa, Japan, Argentina and Mexico. Import increases from Japan and Mexico were relatively sharp.

Mainly owing to a decrease of about 84 per cent in the trade balance which dropped to \$49 million, the 1968 current account surplus of

Total current and capital account transactions with the United Kingdom and other overseas countries led to net payments by Canada of \$267 million in 1969, a swing of over \$1,600 million from the 1968 inflow. The 1968 favourable current account of \$732 million swung to a deficit of \$12 million in 1969, the first net disbursement balance with this group of countries in a decade, reflecting in large part a \$650 million reduction in the merchandise trade surplus. Capital movements in long-term forms resulted in an inflow of \$660 million continuing the upsurge evident in 1968 due largely to new Canadian issues placed in Europe. Capital movements in short-term forms however, swung by over \$1 billion to a net outflow of \$915 million as Canadians increased their holdings of foreign currency deposits and short-term balances abroad.

The \$45 million difference between the net payments to overseas countries and the smaller net receipts from the United States together with the gold production available for export of \$110 million is reflected in the \$65 million increase in net official monetary assets.

Capital Movements

Summary

Item	1967	1968	1969	1968		1969			
				IV Q	I Q	II Q	IIIQ	IV Q	
millions of dollars									
Capital movements in long-term forms	+ 1,347	+ 1,590	+ 2,162	+ 356	+ 543	+ 483	+ 624	+ 512	
Capital movements in short-term forms	- 828	- 1,181	- 1,375	+ 159	- 323	- 226	- 662	- 164	
Balance on goods and services	- 499	- 60	- 722	- 184	- 258	- 311	+ 33	- 186	
Official monetary movements(1)	+ 20	+ 349	+ 65	+ 331	- 38	- 54	- 5	+ 162	

(1) Change in international reserves and monetary liabilities.

The net inflow of capital into Canada almost doubled to \$787 million in 1969 from \$409 million in the previous year. Capital movements in long-term forms led to a net inflow of \$2,162 million for the year as inflows of approximately equal size occurred in each quarter while short-term transactions gave rise to outflows in each quarter, totalling \$1,375 million in the year. About half of this outflow (\$662 million) took place in the third quarter giving rise to a small outflow of \$38 million from all capital movements which was largely offset by a small current account surplus. In all other quarters total capital movements resulted in substantial inflows which coincided with current account deficits. Despite the large increase in the inflow from total capital movements in 1969 only \$65 million was added to Canada's official monetary assets as the year's current account deficit rose more sharply to \$722 million.

Categories of capital movements in long-term forms which led to the largest net inflows were sales of new issues of Canadian securities (accounting for exceptionally high capital imports of over \$2 billion), followed by direct investment in Canada and reductions by Canadians of their holdings in outstanding United States equities (involving a shift in capital movements of over \$0.5 billion). The principal outflows arose from retirements of Canadian securities held abroad, and direct investment abroad, which nearly doubled in 1969.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1967	+ 1,347	+ 1,599
1968	+ 1,590	+ 2,142
1969	+ 2,162	+ 2,020
1968 I Q	+ 132	+ 198
II Q	+ 742	+ 660
III Q	+ 360	+ 367
IV Q	+ 356	+ 917
1969 I Q	+ 543	+ 565
II Q	+ 483	+ 483
III Q	+ 624	+ 477
IV Q	+ 512	+ 495

Sales of new issues of Canadian securities are taken into the balance of payments at the time of delivery. Offerings for later delivery were significantly down from the 1968 high but the undelivered balance at the end of 1969 remained substantial. The effect of adjusting the actual inflows to reflect the timing of security offerings is shown on the accompanying statement.

Capital movements in short-term forms in 1969 gave rise to a larger net outflow of \$1,375 million, compared with \$1,181 million in 1968, which somewhat masked very large opposing flows. The outflow for the acquisition by Canadians of foreign currency deposits and other short-term funds abroad almost quadrupled in the year to \$1,609 million. Partially offsetting inflows resulted from increased non-resident holdings of Canadian finance company paper and other short-term obligations. A large year-to-year reduction in outflows was evident in the "all other trans-

actions" category. This account includes changes in loans and accounts receivable and payable as well as the balancing item representing the difference between direct measurements of the current and capital accounts.

The total net capital inflow of \$787 million which occurred in 1969 was made up of outflows of \$520 million represented by increases by the chartered banks together with their domestic customers of net foreign currency claims on non-residents, and of inflows aggregating \$1,307 million from all other transactions. The increase in the banks' net foreign currency claims on non-residents of \$520 million reflected outflows of \$476 million and \$44 million to the United States and overseas countries, respectively. Details appear in the accompanying statement. The banks' net spot liabilities to Canadian

Foreign Currency Assets and Liabilities of Head Offices and Branches in Canada
of the Canadian Chartered Banks, 1967-1969

	Net Transactions							Amount end of 1969
	1967	1968	1969	I Q 69	II Q 69	III Q 69	IV Q 69	
	millions of dollars							
Assets with residents of:								
United States	273	168	815	247	3	275	289	3,316
Other countries	375	759	1,405	463	687	227	28	3,445
Total non-resident	648	927	2,220	710	690	503	317	6,761
Canada	(b) - 103	- 50	215	- 60	217	10	48	1,060
Totals	545	877	2,435	650	907	513	365	7,821
Liabilities with residents of:								
United States	77	- 296	339	170	79	- 57	147	878
Other countries	187	701	1,361	478	304	438	141	3,763
Total non-resident	264	405	1,700	648	383	381	288	4,641
Canada - swapped deposits	165	- 141	792	122	587	160	- 77	1,551
- other	198	330	460	44	202	221	- 7	1,738
Total Canada	(a) 363	189	1,252	166	789	381	- 84	3,289
Totals	627	594	2,952	814	1,172	762	204	7,930
Net assets with residents of:								
United States	196	464	476	77	- 76	333	142	2,438
Other countries	188	58	44	- 15	383	- 211	- 113	318
Total non-resident	384	522	520	62	307	122	29	2,120
Canada	- 466	- 239	- 1,037	- 226	- 572	- 371	132	- 2,229
Totals	(a) - 82	283	- 517	- 164	- 265	- 249	161	- 109

Note: This statement shows the effect on Canada's balance of payments of foreign currency banking operations of the Canadian chartered banks. As described on page 14 of the report for the second quarter of 1965, the amounts identified as (a) are embodied within item D 17.1 (e.g. this item in 1969 led to a net outflow of \$735 million, reflecting an increase of \$1,252 million in resident holdings of foreign currency deposits with Canadian chartered banks in Canada and a decrease of \$517 million in the net foreign currency holdings of these institutions); the amount identified as (b) is embodied within items D 13 and D 17.5 (e.g. in 1969 as an aggregate inflow of \$215 million). These amounts in sum are equivalent to the \$520 million outflow representing the 1969 increase in the banks' net assets with all non-residents. The transactions figures are based on data published monthly in the Statistical Summary of the Bank of Canada, but have been adjusted so as to eliminate changes in value resulting from variations in exchange rates. It should also be noted that there is a discontinuity in the above series as gold assets and liabilities have been included with the foreign currency data up to the end of March 1968 and excluded thereafter.

residents climbed by \$1,037 million reflecting substantial increases in both swapped and other deposit liabilities which were only partly offset by increased claims. Funds converted into a foreign currency, usually United States dollars, which have been placed on term deposit with a bank and which the same bank has undertaken through a forward contract to convert back into Canadian dollars at maturity; other deposits may, from the viewpoint of the holder be effectively swapped through independent spot and forward exchange transactions, sometimes termed "split swaps". The rise in swapped deposits so accelerated in the second quarter and in July that the Bank of Canada requested the chartered banks to limit these liabilities to the then current level of \$1,724 million. Following this request Canadian resident holdings of these deposits declined erratically to \$1,551 million at the end of the year. Canadian holdings of other foreign currency deposits were relatively firmer in the second half of the year and stood at \$1,738 million at the year end. It should also be noted that the banking guidelines which were introduced on May 3, 1968 were still current in 1969. These guidelines were designed to ensure that the chartered banks would not be a channel for the outflow of funds from the United States which impaired the balance of payments position of that country without improving Canada's external position. At the end of 1969 the Canadian banks had a net short spot foreign currency position overseas of \$318 million and a net long spot foreign currency position in the United States of \$2,438 million, which combined with a net short spot position to Canadian residents of \$2,229 million resulted in a net short spot position of \$109 million. In general, however, the overall foreign currency position of the chartered banks, including forward contracts, tends to be more stable than the spot position alone.

Direct Investment

Direct investment in foreign - controlled enterprises in 1969 gave rise to a moderately higher net capital inflow of \$625 million, as sharply lower inflows from the United Kingdom were more than offset by higher investment from the United States and other countries. About 70 per cent of the year's inflow came from the United States, and two fifths of it occurred in the second quarter.

By far the largest part of the inflow was allocated to the manufacturing and petroleum and natural gas industries. Capital inflows for the takeover of existing Canadian enterprises, notably ones engaged in the manufacture of food and beverages, forest products, electronics and steel, in asbestos production, finance and life assurance were substantially higher; the foreign investment in Salada Foods and Canadian Breweries, and the reverse flow for the repatriation by Canadian interests of Laura Secord being especially noteworthy.

The net outflow for direct investment abroad during 1969 reached a high \$255 million, or nearly double the 1968 outflow of \$135 million. About three fifths of this investment was in the United States, a fifth in Europe, and the remainder chiefly in other Western Hemisphere countries. The outflows, about half of which occurred in the second quarter, were directed to a wide variety of industries. Investments in manufacturing of food and alcoholic beverages, mainly in the United States, were particularly important, accounting for half of the total outflow and providing further evidence of diversification by tobacco products manufacturers. Investments in the steel and petroleum and natural gas industries in the United States, and shipping and air transportation in the Caribbean, also reached significant proportions.

Security Transactions

At \$1,841 million the net inflow from portfolio transactions in long-term securities in 1969 reached unprecedented proportions. It was 65 per cent higher than the 1968's record of \$1,113 million and almost three times the previous high of \$645 million registered for 1964. The two main elements accounting for the size of the 1969 inflow were the continued high level of sales of Canadian new issues abroad, which exceeded \$2 billion for the first time, and a sharp turnaround of over \$0.5 billion in trading in outstanding foreign securities. The net inflow of \$113 million from transactions in foreign securities, which ended five years of successive annual outflows, totalling \$1,252 million was largely attributable to transactions in United States equities. At a time when stock market prices were depressed in Canada and the United States, Canadians became net sellers of these securities (to the extent of \$124 million) for the first time since 1963.

Buoyant economic conditions and exceptionally high interest rates, both in Canada and abroad, had a far-reaching impact not only on stock market conditions, but also on the demand sources and type of financing adopted by Canadian borrowers. Canadian interest rates, already at very high levels at the end of 1968 continued to rise throughout 1969. In late December the yield on the index of 10 long-term industrial bonds produced by McLeod, Young, Weir had reached 9.29 per cent. Canadian borrowers

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year			1968	1969			
	1967	1968	1969	IV Q	I Q	II Q	III Q	IV Q
millions of dollars								
Canadian securities:								
Outstanding - Bonds	- 57	- 69	+ 1	+ 7	+ 17	- 6	- 12	+ 2
Stocks	+ 12	+ 112	+ 61	+ 53	+ 37	+ 44	- 4	- 16
New issues	+ 1,307	+ 1,933	+ 2,058	+ 366	+ 637	+ 513	+ 573	+ 335
Retirements	- 357	- 395	- 375	- 114	- 70	- 126	- 49	- 130
Foreign securities:								
Outstanding issues	- 382	- 425	+ 113	- 102	- 49	- 6	+ 67	+ 101
New issues	- 65	- 70	- 43	- 24	- 11	- 21	- 5	- 6
Retirements	+ 15	+ 27	+ 26	+ 8	+ 2	+ 19	+ 2	+ 3
Totals, all countries	+ 473	+ 1,113	+ 1,841	+ 194	+ 563	+ 417	+ 572	+ 289
United States	+ 567	+ 665	+ 1,225	+ 158	+ 308	+ 275	+ 420	+ 222
United Kingdom	- 65	- 11	+ 44	- 7	+ 18	+ 9	- 7	+ 24
Other countries	- 29	+ 459	+ 572	+ 43	+ 237	+ 133	+ 159	+ 43

took advantage of the relatively lower rates abroad by continuing to raise large amounts of capital not only in the United States, but, for the second successive year, in Germany also. (Of interest in 1969 was the entry of municipalities into this market, which had been utilized almost exclusively by more senior governments and their agencies in 1968.) Provincial governments again borrowed heavily in Germany, so that inflows from new issues of Canadian securities in continental Europe rose from \$491 million in 1968 to \$535 million in 1969.

Net inflows from the United States almost doubled in 1969, and, at \$1,225 million, exceeded net inflows from all sources for 1968. The significant change took place almost exclusively in trading in outstanding foreign securities. Transactions with residents of the United Kingdom gave rise to an inflow of \$44 million, ending ten years of consecutive annual outflows from portfolio security transactions.

New issues of Canadian securities abroad gave rise to inflows of record amounts in 1969. At \$2,058 million proceeds were in excess of \$2 billion for the first time, and some 6 per cent above the previous record of \$1,933 million set in 1968. A slight decline in the sale to non-residents of new bond issues to \$1,861 million was more than offset by increased sales of new common and preference shares (to \$197 million or more than treble the 1968 level) as more corporations apparently sought this means of avoiding the high costs of servicing debt issues. The sale of new bond issues of the Government of Canada declined sharply from \$290 million in 1968 to \$34 million, but new corporate issues were only moderately lower at \$547 million and sales of all other new issues registered gains. Provincial government issues raised significantly higher proceeds of \$1,065 million.

Increased borrowing in continental Europe, a trend first apparent in 1968, continued in 1969 prior to revaluation of the deutschemark. Municipalities (including educational institutions and hospitals) became large-scale borrowers in Germany for the first time with new issues amounting to \$90 million, compared with \$22 million in 1968. Governments at all levels obtained considerable funds from Germany, and were responsible for \$467 million, or 87 per cent, of total proceeds of \$535 million resulting from new Canadian issues in continental Europe.

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
	millions of dollars		
1967	1,466	1,214	374
1968	1,907	1,355	926
1969	1,180	1,322	784
1968 I Q ...	399	333	440
II Q ...	348	430	358
III Q ...	284	277	365
IV Q ...	876	315	926
1969 I Q ...	392	370	948
II Q ...	296	296	948
III Q ...	256	403	801
IV Q ...	236	253	784

(1) At end of period.

million in 1969, compared with \$70 million in the previous year. New issues by the United States and other countries accounted for outflows of \$27 million and \$16 million respectively. Retirements of foreign securities held by Canadians were recorded at \$26 million, showing little change from the \$27 million inflow in 1968.

A sharp turnaround in international capital movements arising from outstanding security transactions resulted in a net inflow of \$175 million in 1969. This represented a swing of \$557 million from the \$382 million net outflow in 1968, and ended seven years of successive annual outflows totalling almost \$2 billion. The major part of this change was attributable to transactions in United States equities, which gave rise to a net inflow of \$124 million in 1969 compared with an outflow of \$384 million in 1968. Of the total net inflow, \$94 million came from the United States, \$28 million from the United Kingdom, and \$53 million from other countries. The net inflow of \$61 million resulting from trading in Canadian common and preference stock represented a reduction of 46 per cent from the corresponding inflow of \$112 million for 1968. An unusually large proportion-some 75 per cent-of this inflow came from countries other than the United States and United Kingdom. Transactions in Canadian bonds and debentures led to a small inflow of \$1 million, the first since 1965. A net outflow of \$28 million, mainly attributable to re-purchases by Canadians of provincial issues, took place in trading with the United States while net inflows of \$20 million resulted from trading with the United Kingdom, and of \$9 million from trading with other countries. Trading in foreign securities resulted in a net inflow of \$113 million compared with net outflows of \$425 million in 1968 and \$382 million in 1967. Transactions in United States equities, totalling \$4,076 million, represented 92 per cent of gross trading in foreign securities.

Long-term interest rates in both Canada and the United States, already at their highest levels since the Second World War, continued to rise at an even faster rate in 1969. Over-the-year, yields on representative long-term government bonds rose by 131 basis points in Canada and by 163 basis points in the United States. Interest rate differentials between these bonds varied from about 1.58 per cent in April to about 1.14 per cent in September. Common stock prices in Canada (as measured by the Dominion Bureau of Statistics Investors' Index) were virtually unchanged during 1969. United States common stock prices (as measured by Standard and Poor's '500' Index) fell by 13 per cent.

A more detailed review of international security movements in 1969 will be found in the December issue of "Sales and Purchases of Securities Between Canada and Other Countries" (DBS Catalogue No. 67-002) which also contains information relating to international transactions in Canadian short-term money market instruments.

Other Capital Flows in Long-term Forms

Non-military assistance abroad by the Canadian Government in 1969 consisted largely of payments of the regular assessments by the international organizations of which Canada is a member, official contributions, intergovernmental loans, subscriptions to the capital of investment agencies and the exten-

Total bond offerings of \$1,180 million to residents of the United States were 38 per cent less than in 1968. It should be noted that a portion of new Canadian issues placed with United States underwriters (and included here in United States figures) is sometimes resold to residents of other foreign countries. On a quarterly basis, offerings remained fairly stable, although they declined progressively over the year. Deliveries outstripped offerings for the year as a whole, thereby reducing the level of undelivered issues from \$926 million at the beginning of the year to \$784 million by the year-end.

Retirements of Canadian securities held by non-residents fell in 1969 to approximately \$375 million, compared with \$395 million for the previous year. Retirements were substantially less in 1969 in the corporate sector (including railways not guaranteed by governments), while retirements of municipalities and the federal government increased. The sale of new issues of foreign securities in Canada was substantially lower than in 1968. The net outflow totalled \$43

sion or guarantee of export credits. Both assessments and contributions form a part of Canada's payments on current account, while other transactions, to the extent that they give rise to claims on non-residents, are mainly reflected in capital movements in long-term forms.

Disbursements on intergovernmental loans extended by Canada in 1969 increased by \$11 million to \$59 million as amounts previously committed for specific projects under the development loan program were drawn by recipient countries. Disbursements are expected to continue to grow in succeeding years as drawings so far constitute only a fraction of the aid commitments.

Detail of Long-Term Capital Transactions n.i.e.
Item D13

Year and quarter	Export credits(1)						Sub- total	Other trans- actions	Total
	Wheat			Other commodities					
	Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net			
	millions of dollars								
1967	- 91	+ 219	+ 128	- 60	+ 39	- 21	+ 107	+ 161	+ 268
1968	- 143	+ 216	+ 73	- 89	+ 45	- 44	+ 29	- 42	- 13
1969	- 101	+ 119	+ 18	- 76	+ 49	- 27	- 9	- 5	- 14
1968 I Q	- 25	+ 76	+ 51	- 19	+ 12	- 7	+ 44	- 15	+ 29
II Q	- 45	+ 57	+ 12	- 14	+ 10	- 4	+ 8	+ 12	+ 20
III Q	- 45	+ 48	+ 3	- 25	+ 14	- 11	- 8	- 66	- 74
IV Q	- 28	+ 35	+ 7	- 31	+ 9	- 22	- 15	+ 27	+ 12
1969 I Q	- 25	+ 20	- 5	- 20	+ 12	- 8	- 13	- 71	- 84
II Q	- 39	+ 15	- 24	- 17	+ 11	- 6	- 30	+ 7	- 23
III Q	- 18	+ 32	+ 14	- 22	+ 15	- 7	+ 7	- 5	+ 2
IV Q	- 19	+ 52	+ 33	- 17	+ 11	- 6	+ 27	+ 64	+ 91

(1) Medium and long-term export credits extended from Canada directly or indirectly at risk of the Government of Canada.

Subscriptions to the capital of international agencies in 1969 amounted to \$30 million. This amount, made up of payments to the International Development Association and the Asian Development Bank, was paid in the form of non-negotiable, non-interest bearing Canadian dollar demand notes. Changes in these obligations are reflected in item D 14.2 of the capital account covering Government of Canada demand liabilities.

During the year Canada received higher repayments of \$22 million of principal on inter-governmental loans extended earlier. The increase of \$17 million over 1968 largely reflected receipt of \$20 million from the United Kingdom on the 1946 loan, repayment of which was waived in 1968. The remainder of the 1969 receipt came chiefly from Belgium. In addition to the repayments of principal there were receipts of \$25 million during 1969 on account of interest. These receipts form part of the current account item comprising Canada's receipts of interest and dividends.

Receipts from the United States associated with the Columbia River Treaty declined to \$32 million from \$88 million in 1968. The 1968 inflow included receipt of US \$52 million, the second and largest flood control payment under the Treaty, as well as of US \$30 million representing a further annual maturity of the medium-term non-marketable United States Government securities acquired in connection with the Treaty arrangements. Holdings of these securities stood at US \$54 million at the end of 1968.

Transactions arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government of Canada resulted in a net outflow of \$9 million during 1969. This contrasted with net inflows of \$107 million and \$29 million in 1967 and 1968 and was attributable to a sharp fall of \$97 million in repayments of export credits on wheat. This decrease was partially offset by lower advances, particularly for wheat.

The remaining capital movements in long-term forms, which include bank and other long-term loans, mortgage investments and movements of insurance funds, led to a net outflow of \$5 million a reduction of \$37 million from the 1968 outflow of \$42 million. Changes in the long-term liabilities of Canadian corporations with foreign banks largely accounted for a significant outflow of \$71 million in the first quarter and a partially offsetting inflow of \$64 million in the fourth quarter.

Capital Movements in Short-term Forms

Capital movements in short-term forms (apart from changes in official holdings of gold, foreign exchange and Canada's balance with the International Monetary Fund) led to a net capital outflow of \$1,375 million, or \$194 million more than in 1968.

The year was one of unusually large countervailing movements. Canadian residents increased their holdings of bank balances and other short-term funds abroad by very substantial amounts, apparently attracted by unusually high interest rates abroad and to some extent the expected revaluation of the Deutschmark. At the same time there was exceptional activity in the Canadian money market. The volume of business expanded substantially as an increasing number of corporations and institutions resorted to short-term borrowing, sometimes as a means of financing essentially long-term needs but avoiding long-term commitments at record high long-term interest rates. A major part of this borrowing took place in the United States where lower interest rates and a significant premium on the forward rate for the Canadian dollar provided important advantages. This was reflected in a huge increase in the volume of international trading and a large net inflow of short-term capital into Canadian paper.

Canadian dollar deposits of non-residents rose by \$61 million over the year. Residents of the United States and the United Kingdom increased their holdings by \$40 million and \$33 million, respectively. Other foreign countries reduced their holdings by \$12 million, partially offsetting the other increases. At the year-end, deposit liabilities to non-residents aggregated about \$750 million, of which some \$450 million were held by United States residents, \$100 million by United Kingdom residents, and \$200 million by residents of other foreign countries. Government of Canada demand liabilities in the form of interest-free demand notes issued to international investment agencies declined by \$34 million in 1969. The amount outstanding was approximately \$16 million.

Non-residents increased their holdings of Canadian treasury bills by \$32 million to \$104 million in 1969 as private non-residents became, on balance, large purchasers of these instruments. In comparison with 1968, net purchases by foreign official institutions were relatively small.

Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1967	1968	1969	1968	1969				
				IV Q	I Q	II Q	III Q	IV Q	
millions of dollars									
17.1 Bank balances and other short-term funds abroad (excluding official reserves)	- 284	- 409	- 1,609	- 164	- 156	- 569	- 622	- 262	
17.2a Canadian commercial paper	- 13	+ 2	+ 43	+ 1	- 1	+ 23	- 15	+ 36	
17.2b Other short-term paper	+ 24	+ 1	- 3	+ 12	- 2	- 20	- 5	+ 24	
17.3 Canadian finance company paper	- 54	- 131	+ 176	-	+ 159	+ 71	- 71	+ 17	
17.4 Canadian finance company obligations, n.i.e.	+ 34	+ 19	+ 116	+ 34	+ 23	+ 28	+ 3	+ 62	
17.5 All other transactions(1)	- 559	- 802	- 157	+ 182	- 347	+ 251	+ 46	- 107	
Total (Item D 17)	- 852	- 1,320	- 1,434	+ 65	- 324	- 216	- 664	- 230	

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

An increase by Canadian residents of their holdings of foreign currency bank balances and other short-term funds abroad produced a net capital outflow of \$1,609 million, almost four times the comparable 1968 build-up. A rise of \$520 million in the Canadian chartered banks foreign currency net asset

position with non-residents was a significant factor in this movement. This covered only about half of the increased net foreign currency liabilities to residents. A sharp increase in residents' holdings of foreign currency swapped deposits with the chartered banks during the year was accompanied by a significant rise in their holdings of other foreign currency deposits, some of which may, however, have been protected by forward exchange cover through other channels.

There was a sharp turn-around from transactions in Canadian finance company paper (including that of manufacturing and retail enterprises) as non-residents increased their holdings by \$176 million. In contrast there was an outflow of \$135 million in 1968. Geographically the 1969 movement was made up of a net inflow of \$188 million from the United States and small outflows of \$11 million and \$1 million to the United Kingdom and other foreign countries, respectively.

Transactions in other finance company obligations of a short-term nature consisting of bank loans and inter-company accounts were also significantly greater than in 1968. Net inflows were registered in each quarter of the year, amounting in total to \$116 million, compared with \$19 million in 1968. In addition there were other finance company transactions not identified separately, which have been included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. All in all, capital flows associated with the international borrowing of these companies showed a net inflow of about \$300 million, as net inflows of about \$190 million, \$100 million and \$85 million in the first, second, and fourth quarters were reduced by a third quarter outflow of \$75 million.

Transactions in commercial paper resulted in increased net inflows in 1969 rising to \$43 million compared with \$1 million in 1968. The value of gross trading increased sharply to over two and a half times the 1968 level. Transactions in other short-term paper, which includes notes of banks, mortgage loan companies, and municipal and provincial governments, led to a lower net outflow of \$3 million compared with \$12 million in 1968. The reduced volume of transactions in these instruments in 1969 contrasted with the increased turnover in other types of paper.

The existence of unusually large interest rate differentials between the world's major financial centres was a primary factor influencing the huge movements of short-term capital which occurred between Canada and other countries during 1969. Of most significance, perhaps, was the very rapid increase in interest rates for short-term Euro-dollar deposits (to over 11 per cent at their peak in September). At the same time, interest rates in most major financial centres also reached exceptionally high levels. Yields on Canadian finance and commercial paper, which usually attract the bulk of the short-term funds invested in Canadian money market instruments by non-residents, followed this general pattern. Interest rates paid by finance companies for 90 day paper climbed from 6.54 per cent near the end of 1968 to 8.97 per cent at the end of 1969. During the year the bank rate in Canada was raised successively to 7 per cent on March 3, to 7 1/2 per cent on June 11 and to 8 per cent on July 16.

All other transactions led to a net capital outflow of \$157 million, a decline of \$645 million from the 1968 net disbursement figure. The identified items included in this account demonstrated widely divergent movements during the year. Recorded transactions related to intercompany account receivables showed significantly smaller net outflows in 1969 than in 1968. There were on balance large inflows arising from increased bank loans to residents. However, the largest component in 1969 comprised the balancing item representing the difference between the direct measurements of the current and capital accounts. This item amounted to a net payment balance of about \$250 million in the year, approximately one third the level of the net outflow for the previous year.

Official International Monetary Assets and Liabilities

Canada's net official monetary assets totalled US \$3,105 million at December 31, 1969 an increase of US \$60 million over the year. A large increase of US \$150 million in the fourth quarter more than offset the decreases which took place in the first three quarters of 1969.

Holdings of United States dollars decreased by US \$221 million over the year following large decreases in the first three quarters totalling US \$297 million and an increase in the fourth quarter of US \$76 million. Holdings of other convertible currencies were unchanged at US \$12 million although there were relatively large movements in both directions during the year.

Sales of Canadian dollars to the IMF for gold resulted in a US \$9 million increase in holdings of monetary gold for the year.

Canada's reserve position with the IMF totalled US \$478 million an increase of US \$272 million for 1969. Drawings by the United Kingdom, Belgium and Germany accounted for US \$167.5 million in the

period. Numerous other smaller drawings as well as the acquisition of a claim on the IMF under the General Arrangements to Borrow of US \$30 million issued previously to Germany helped to make up the balance of the increase. In the second and third quarters of the year Canada had augmented the Fund's Canadian dollar resources by making two loans to that institution under GAB equivalent to US \$65.5 million. This together with the acquisition from Germany brought Canada's claims on the IMF under GAB to US \$95.5 million at the end of the year.

These transactions together resulted in an overall increase of US \$60 million in official international reserves from US \$3,046 million at the end of 1968 to US \$3,106 million at the end of 1969. Total official monetary liabilities remained constant over the year at US \$1 million. The annual change expressed in Canadian dollars showed an increase in net official monetary assets of \$65 million, all reflecting the rise in international reserves as changes in associated liabilities, as noted above, were negligible in the year.

In 1969 the spot value of the United States dollar on the Canadian exchange market closed at 107.28 cents. This reflected a significant premium on the Canadian dollar above the official parity of Canadian 108.108 cents per US dollar. This strength was apparent throughout much of the year with the Canadian dollar falling below its official parity for a brief period in July.

United States Dollar in Canada					Pound Sterling in Canada			
Period	High	Low	Close	Noon average	High	Low	Close	Noon average
Canadian cents					Canadian cents			
1968	109.00	107.25	107.28	107.75	262.63	255.25	255.82	257.94
1969	108.25	107.25	107.28	107.68	258.89	255.72	257.55	257.39
1968 I Q	109.00	108.09	108.28	108.56	262.63	259.56	260.07	261.24
II Q	108.25	107.50	107.59	107.83	260.43	256.16	256.35	257.95
III Q	107.59	107.25	107.25	107.31	257.10	255.59	256.27	256.48
IV Q	107.38	107.25	107.28	107.29	256.56	255.25	255.82	256.11
1969 I Q	107.84	107.25	107.66	107.46	258.05	255.72	257.82	256.83
II Q	108.16	107.50	108.09	107.76	258.62	256.32	258.52	257.53
III Q	108.25	107.66	107.91	107.90	258.89	256.38	257.17	257.54
IV Q	108.06	107.28	107.28	107.60	258.27	257.25	257.55	257.65
October	108.06	107.47	107.63	107.79	258.01	257.28	257.92	257.65
November	107.69	107.41	107.41	107.58	258.27	257.42	257.42	257.81
December	107.53	107.28	107.28	107.42	257.73	257.25	257.55	257.52

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(1) As published by the Minister of Finance. The change in this total, expressed in Canadian dollars, is given in item H4 of the main balance of payments table.

(2) Transactions with the IMF when that institution holds Canadian dollars in excess of 100 per cent of the Canadian quota.

(3) The change in this total, expressed in Canadian dollars, is given in item H5 of the main balance of payments table.

Note: This statement does not include holdings by the Government of Canada at December 31, 1969 of \$54 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

(3) The change in this total, expressed in Canadian dollars, is given in item H5 of the main balance of payments table.

Note: This statement does not include holdings by the Government of Canada at December 31, 1969 of \$54 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Other transact- ions	Total liabi- lities	
millions of United States dollars									
1947-1966	740.0	50.0	790.0	605.0	54.3	- 379.3	61.5(2)	341.5	448.5
1967		- 15.0	775.0	- 15.0		15.1		341.6	433.4
1968		- 35.0	740.0	- 35.0	361.2	- 131.2	- 2.8(3)	533.8	206.2
1969		95.5	835.5	65.5		- 250.3	8.4	357.4	478.1
1968 I Q		- 35.0	740.0	- 35.0	426.0	7.3		739.9	0.1
II Q			740.0			- 121.0		618.9	121.1
III Q			740.0		- 64.8			554.1	185.9
IV Q			740.0			- 17.5	- 2.8(3)	533.8	206.2
1969 I Q			740.0			- 15.0		518.8	221.2
II Q		40.0	780.0	40.0		- 103.5	2.5(2)	457.8	322.2
III Q		25.5	805.5	25.5		- 86.2	6.1(2)	403.2	402.3
IV Q		30.0(4)	835.5			- 45.6	- 0.2(3)	357.4	478.1

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow (GAB). Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million. The Canadian dollar equivalent of changes in positive balances appears as a component of item H4 in the main balance of payments statement. Changes in negative balances, i.e. use of IMF credit, are shown as a component of item H5.

(2) Sales of Canadian dollars to IMF for gold.

(3) Dividend payment to Canada.

(4) Acquisition of GAB notes issued previously to another IMF member.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

Change in Canada's Official International Monetary Assets and Liabilities

Period	Assets					Liabilities (minus = increase)				Net official monetary assets	Conversion series ⁴
	Official holdings of foreign exchange		Monetary gold	Reserve position in IMF ¹	Total official international reserves ¹	Use of IMF credit ²	Foreign exchange deposit liabilities	Reported use of central bank reciprocal credit facilities	Total official monetary liabilities ³		
	U.S. dollars	Other convertible currencies									
expressed in millions of Canadian dollars											
1961											
I Q	106	2	- 1	-	107	-	- 1	-	- 1	106	+
II Q	32	1	21	10	64	-	- 3	-	- 3	61	-
III Q	- 84	1	22	51	- 10	-	-	-	-	- 10	+ 1
IV Q	115	-	20	-	135	-	-	-	-	135	-
Year	169	4	62	61	296	-	- 4	-	- 4	292	+ 2
1962											
I Q	- 381	- 2	18	- 11	- 376	-	-	-	-	- 376	- 1
II Q	433	2	- 320	- 217	- 102	- 150	-	- 381	- 531	- 633	+ 1
III Q	663	-	21	-	684	-	2	-	2	686	-
IV Q	80	- 1	22	-	101	-	- 1	377	376	477	- 1
Year	795	- 1	- 259	- 228	307	- 150	1	- 4	- 153	154	- 1
1963											
I Q	40	1	25	-	66	-	-	-	-	66	-
II Q	75	12 ⁴	24	-	111	-	-	-	-	111	-
III Q	- 155	- 13 ⁴	22	-	- 146	86	-	-	86	- 60	- 1
IV Q	- 21	-	46	-	25	-	3	-	3	28	-
Year	- 61	-	117	-	56	86	3	-	89	145	- 1
1964											
I Q	- 199	13	58	21	- 107	64	2	-	66	- 41	+ 1
II Q	7	- 11	65	6	67	-	1	-	1	68	-
III Q	35	-	63	59	157	-	-	-	-	157	+ 1
IV Q	14	-	39	127	180	-	-	-	-	180	- 1
Year	- 143	2	225	213	297	64	3	-	67	364	+ 1
1965											
I Q	- 150	14	20	46	- 70	-	-	-	-	- 70	+ 2
II Q	- 128	- 13	49	93	1	-	-	-	-	1	-
III Q	120	- 3	25	82	224	-	-	-	-	224	- 2
IV Q	12	3	42	- 53	4	-	-	-	-	4	+ 2
Year	- 146	1	136	168	159	-	-	-	-	159	+ 2
1966											
I Q	- 96	5	- 70	28	- 133	-	-	-	-	- 133	+ 5
II Q	- 116	- 6	- 66	64	- 124	-	1	-	1	- 123	- 6
III Q	- 88	- 1	- 17	20	- 86	-	-	-	-	- 86	- 1
IV Q	- 50	2	40	- 9	- 17	-	-	-	-	- 17	+ 2
Year	- 350	-	- 113	103	- 360	-	1	-	1	- 359	-
1967											
I Q	- 77	- 1	41	22	- 15	-	-	-	-	- 15	- 2
II Q	- 19	2	- 19	- 17	- 53	-	1	-	1	- 52	+ 2
III Q	18	- 1	36	1	54	-	2	-	2	56	-
IV Q	142	2	- 91	- 22	31	-	-	-	-	31	+ 2
Year	64	2	- 33	- 16	17	-	3	-	3	20	+ 2
1968											
I Q	16	2	- 42	- 471	- 495	-	2	- 271	- 269	- 764	+ 1
II Q	410	-	- 54	130	486	-	- 1	135	134	620	-
III Q	25	1	- 68	70	28	-	-	134	134	162	+ 1
IV Q	314	- 5	-	22	331	-	-	-	-	331	- 6
Year	765	- 2	- 164	- 249	350	-	1	- 2	- 1	349	- 4
1969											
I Q	- 51	- 3	-	16	- 38	-	-	-	-	- 38	- 1
II Q	- 172	6	3	109	- 54	-	-	-	-	- 54	+ 5
III Q	- 98	-	7	86	- 5	-	-	-	-	- 5	- 1
IV Q	82	- 2	-	82	162	-	-	-	-	162	- 1
Year	- 239	1	10	293	65	-	-	-	-	65	+ 2

¹ Item H 4 of the main balance of payments table.

² Transactions with the IMF when that institution holds Canadian dollars in excess of 100 per cent of the Canadian quota.

³ Item H 5 of the main balance of payments table.

⁴ The change in the reserve presentation has shifted some minor balances from D 17.1 into the reserves. This column shows what changes should be made to the D 17.1 series published prior to this report to provide a consistent historical series.

Changes in presentation

The news release issued by the Minister of Finance on February 3, 1970 covering the level and composition of Canada's official international reserves contained certain changes from the coverage of previous statements. The balance of payments format in respect of reserve movements has been altered correspondingly. Changes in the assets included in the Minister's statement are now shown under item H4, while changes in associated liabilities (which do not appear on the monthly release) are given in item H5. Apart from the inclusion of the Special Drawing Rights allocated to Canada by the International Monetary Fund on January 1, 1970 and subsequent transactions in them the net effect of the changes on the balance payments statement is not large.

Accounts formerly shown in item H1 "change in official holdings of gold and foreign exchange" are now included in H4. In addition H4 includes deposit balances of foreign currencies other than the US dollar which are defined as convertible by the IMF and held by the Exchange Fund Account, the Receiver General and the Bank of Canada. These convertible currencies were previously included in item D 17.1 of the balance of payments with the exception of sterling which had consistently been included with the reserves in balance of payments statements.

It should be noted that the Bank of Canada's liquid foreign currency assets are now being included in official international reserves without deduction of the Bank's foreign currency liabilities to non-residents. Formerly only the net holdings were included. In the new presentation of the balance of payments these liabilities form a part of item H5.

The Minister has now included as part of the reserves the whole of Canada's reserve position in the IMF which is defined as the amount of foreign exchange that Canada is entitled to draw from the Fund on demand for balance of payments purposes. The monthly statement of Canada's official reserves had previously treated as equivalent to reserves only that part of the reserve position in the Fund called the net creditor position, which is the amount of credit Canada has provided to other countries through the IMF. The balance of payments presentation had, however, included the whole of the reserve position in the IMF in item H2 "changes in net International Monetary Fund position". This asset now forms part of item H4. Item H2 also included Canada's net liability to the IMF when that institution held Canadian dollars in excess of 100 per cent of Canada's quota. (This situation has only occurred in the exchange crises of 1962 and the period immediately following when the liability incurred was being liquidated). In the new presentation liabilities of this type are included in item H5.

Also included in H5 are amounts previously shown under item H3 and earlier called "Other special international financial assistance" or more recently "Reciprocal swap facility with Federal Reserve System".

The accompanying statement shows changes in reserves on the new basis back to 1961 and also indicates in the final column the net effects of the change on other accounts in the balance of payments.

First Estimates

Very preliminary data of the Canadian balance of payments for the fourth quarter and year 1969 were released in the DBS Daily of February 16, 1970. It should be noted that these first estimates relate only to very broad aggregates and that the current quarterly report expands and updates these estimates by incorporating the latest available data.

Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries

Fourth Quarters 1968 and 1969 and Changes between the Periods

	1968	1969	Change	1968	1969	Change
millions of dollars						
	All Countries			United States		
Merchandise exports (adjusted)	3,667	4,055	+ 388	2,532	2,938	+ 406
Merchandise imports (adjusted)	3,409	3,766	+ 357	2,465	2,711	+ 246
Balance on merchandise trade	+ 258	+ 289	+ 31	+ 67	+ 227	+ 160
Other current receipts	840	931	+ 91	550	588	+ 38
Other current payments	1,282	1,406	+ 124	889	964	+ 75
Balance on non-merchandise transactions ...	- 442	- 475	- 33	- 339	- 376	- 37
Total receipts	4,507	4,986	+ 479	3,082	3,526	+ 444
Total payments	4,691	5,172	+ 481	3,354	3,675	+ 321
Current account balance	- 184	- 186	- 2	- 272	- 149	+ 123
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted)	303	268	- 35	149	156	+ 7
Merchandise imports (adjusted)	181	193	+ 12	140	173	+ 33
Balance on merchandise trade	+ 122	+ 75	- 47	+ 9	- 17	- 26
Other current receipts	95	133	+ 38	57	66	+ 9
Other current payments	119	127	+ 8	43	45	+ 2
Balance on non-merchandise transactions ...	- 24	+ 6	+ 30	+ 14	+ 21	+ 7
Total receipts	398	401	+ 3	206	222	+ 16
Total payments	300	320	+ 20	183	218	+ 35
Current account balance	+ 98	+ 81	- 17	+ 23	+ 4	- 19
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted)	283	324	+ 41	400	369	- 31
Merchandise imports (adjusted)	285	315	+ 30	338	374	+ 36
Balance on merchandise trade	- 2	+ 9	+ 11	+ 62	- 5	- 67
Other current receipts	64	70	+ 6	74	74	-
Other current payments	152	180	+ 28	79	90	+ 11
Balance on non-merchandise transactions ...	- 88	- 110	- 22	- 5	- 16	- 11
Total receipts	347	394	+ 47	474	443	- 31
Total payments	437	495	+ 58	417	464	+ 47
Current account balance	- 90	- 101	- 11	+ 57	- 21	- 78

Note: Exports of goods and services as published in the National Income and Expenditure Accounts exclude inheritances and immigrants' funds and personal and institutional remittances. Imports of goods and services include withholding tax and exclude inheritances and emigrants' funds, personal and institutional remittances, official contributions and pension payments.

Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries

Years 1968 and 1969 and Changes between the Periods

	1968	1969	Change	1968	1969	Change
	millions of dollars					
	All Countries			United States		
Merchandise exports (adjusted)	13,538	14,886	+ 1,348	9,116	10,500	+ 1,384
Merchandise imports (adjusted)	12,162	14,018	+ 1,856	8,867	10,109	+ 1,242
Balance on merchandise trade	+ 1,376	+ 868	- 508	+ 249	+ 391	+ 142
Other current receipts	3,670	4,001	+ 331	2,483	2,707	+ 224
Other current payments	5,106	5,591	+ 485	3,524	3,808	+ 284
Balance on non-merchandise transactions	- 1,436	- 1,590	- 154	- 1,041	- 1,101	- 60
Total receipts	17,208	18,887	+ 1,679	11,599	13,207	+ 1,608
Total payments	17,268	19,609	+ 2,341	12,391	13,917	+ 1,526
Current account balance	- 60	- 722	- 662	- 792	- 710	+ 82
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted)	1,241	1,119	- 122	615	625	+ 10
Merchandise imports (adjusted)	682	813	+ 131	457	588	+ 131
Balance on merchandise trade	+ 559	+ 306	- 253	+ 158	+ 37	- 121
Other current receipts	392	472	+ 80	219	241	+ 22
Other current payments	473	515	+ 42	188	208	+ 20
Balance on non-merchandise transactions	- 81	- 43	+ 38	+ 31	+ 33	+ 2
Total receipts	1,633	1,591	- 42	834	866	+ 32
Total payments	1,155	1,328	+ 173	645	796	+ 151
Current account balance	+ 478	+ 263	- 215	+ 189	+ 70	- 119
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted)	1,039	1,208	+ 169	1,527	1,434	- 93
Merchandise imports (adjusted)	941	1,123	+ 182	1,215	1,385	+ 170
Balance on merchandise trade	+ 98	+ 85	- 13	+ 312	+ 49	- 263
Other current receipts	275	289	+ 14	301	292	- 9
Other current payments	622	718	+ 96	299	342	+ 43
Balance on non-merchandise transactions	- 347	- 429	- 82	+ 2	- 50	- 52
Total receipts	1,314	1,497	+ 183	1,828	1,726	- 102
Total payments	1,563	1,841	+ 278	1,514	1,727	+ 213
Current account balance	- 249	- 344	- 95	+ 314	- 1	- 315

Note: Exports of goods and services as published in the National Income and Expenditure Accounts exclude inheritances and immigrants' funds and personal and institutional remittances. Imports of goods and services include withholding tax and exclude inheritances and emigrants' funds, personal and institutional remittances, official contributions and pension payments.

Exports and Imports of Goods and Services, Seasonally Adjusted, 1967-69

Acct. No.	Line No.		1967					
			I Q	II Q	III Q	IV Q	Year	
millions of dollars								
<u>Receipts</u>								
A	1	1	Merchandise exports (adjusted)	2,836	2,863	2,675	2,964	11,338
	3	2	Gold production available for export	30	29	26	27	112
	4	3	Travel expenditures	244	368	438	268	1,318
	5	4	Interest and dividends	83	58	78	76	295
	6	5	Freight and shipping	204	207	207	212	830
	7	6	Inheritances and migrants' funds	81	85	83	80	329
	11	7	All other transactions	222	214	216	211	863
		8	Sub-totals, non-merchandise transactions	864	961	1,048	874	3,747
12	9		Totals	3,700	3,824	3,723	3,838	15,085
<u>Payments</u>								
B	1	10	Merchandise imports (adjusted)	2,672	2,757	2,720	2,623	10,772
	4	11	Travel expenditures	225	226	217	227	895
	5	12	Interest and dividends	275	292	323	321	1,211
	6	13	Freight and shipping	217	216	212	216	861
	7	14	Inheritances and migrants' funds	51	51	56	55	213
	11	15	All other transactions (including official contributions)	403	448	381	400	1,632
		16	Sub-totals, non-merchandise transactions	1,171	1,233	1,189	1,219	4,812
12	17		Totals	3,843	3,990	3,909	3,842	15,584
<u>Balance</u>								
C	1	18	Merchandise trade (adjusted)	+ 164	+ 106	- 45	+ 341	+ 566
		19	Gold production available for export	+ 30	+ 29	+ 26	+ 27	+ 112
		20	Travel expenditures	+ 19	+ 142	+ 221	+ 41	+ 423
		21	Interest and dividends	- 192	- 234	- 245	- 245	- 916
		22	Freight and shipping	- 13	- 9	- 5	- 4	- 31
		23	Inheritances and migrants' funds	+ 30	+ 34	+ 27	+ 25	+ 116
		24	All other transactions (including official contributions)	- 181	- 234	- 165	- 189	- 769
2,3	25		Sub-totals, non-merchandise transactions	- 307	- 272	- 141	- 345	-1,065
4	26		Totals	- 143	- 166	- 186	- 4	- 499

Exports and Imports of Goods and Services, Seasonally Adjusted, 1967-69

1968					1969					Line No.
I Q	II Q	III Q	IV Q	Year	I Q	II Q	III Q	IV Q	Year	
millions of dollars										
3,268	3,361	3,334	3,575	13,538	3,718	3,607	3,650	3,911	14,886	1
31	28	32	29	120	29	29	28	24	110	2
241	257	252	242	992	272	274	266	267	1,079	3
71	85	94	81	331	97	117	97	95	406	4
220	223	222	229	894	229	230	233	242	934	5
77	90	109	94	370	88	89	87	99	363	6
230	240	243	250	963	257	270	284	298	1,109	7
870	923	952	925	3,670	972	1,009	995	1,025	4,001	8
4,138	4,284	4,286	4,500	17,208	4,690	4,616	4,645	4,936	18,887	9
2,967	2,908	3,007	3,280	12,162	3,483	3,423	3,481	3,631	14,018	10
240	239	278	258	1,015	299	326	339	316	1,280	11
321	337	336	296	1,290	341	343	337	343	1,364	12
228	232	232	245	937	244	247	248	255	994	13
56	58	48	47	209	52	52	45	41	190	14
394	409	426	426	1,655	411	432	456	464	1,763	15
1,239	1,275	1,320	1,272	5,106	1,347	1,400	1,425	1,419	5,591	16
4,206	4,183	4,327	4,552	17,268	4,830	4,823	4,906	5,050	19,609	17
+ 301	+ 453	+ 327	+ 295	+ 1,376	+ 235	+ 184	+ 169	+ 280	+ 868	18
+ 31	+ 28	+ 32	+ 29	+ 120	+ 29	+ 29	+ 28	+ 24	+ 110	19
+ 1	+ 18	- 26	- 16	- 23	- 27	- 52	- 73	- 49	- 201	20
- 250	- 252	- 242	- 215	- 959	- 244	- 226	- 240	- 248	- 958	21
- 8	- 9	- 10	- 16	- 43	- 15	- 17	- 15	- 13	- 60	22
+ 21	+ 32	+ 61	+ 47	+ 161	+ 36	+ 37	+ 42	+ 58	+ 173	23
- 164	- 169	- 183	- 176	- 692	- 154	- 162	- 172	- 166	- 654	24
- 369	- 352	- 368	- 347	- 1,436	- 375	- 391	- 430	- 394	- 1,590	25
- 68	+ 101	- 41	- 52	- 60	- 140	- 207	- 261	- 114	- 722	26

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are mostly final.

Acct. No.		1967	1968			
		IV	I	II	III	IV
		millions of dollars				
A	Current receipts:					
1	Merchandise exports (adjusted)	3,048	3,017	3,512	3,342	3,667
3	Gold production available for export	26	33	27	32	28
4	Travel expenditures	166	79	235	548	130
5	Interest and dividends	107	61	78	78	114
6	Freight and shipping	222	192	229	234	239
7	Inheritances and immigrants' funds	73	55	99	131	85
11	All other current receipts	208	236	242	241	244
12	Total current receipts	3,850	3,673	4,422	4,606	4,507
B	Current payments:					
1	Merchandise imports (adjusted)	2,725	2,754	3,140	2,859	3,409
4	Travel expenditures	155	209	258	375	173
5	Interest and dividends	413	293	314	297	386
6	Freight and shipping	225	193	243	247	254
7	Inheritances and emigrants' funds	59	47	54	57	51
9	Official contributions	29	14	40	50	29
11	All other current payments	361	378	379	376	389
12	Total current payments	3,967	3,888	4,428	4,261	4,691
C	Current account balance:					
1	Merchandise trade	+ 323	+ 263	+ 372	+ 483	+ 258
2	Other transactions, excluding B 9	- 411	- 464	- 338	- 88	- 413
3	Official contributions	- 29	- 14	- 40	- 50	- 29
4	Total	- 117	- 215	- 6	+ 345	- 184
D	Capital account:					
	Direct investment:					
1	Direct investment in Canada	+ 185	+ 20	+ 229	+ 178	+ 183
2	Direct investment abroad	- 38	- 66	+ 17	- 9	- 77
	Canadian securities:					
3.1	Trade in outstanding bonds and debentures	- 14	- 52	- 11	- 13	+ 7
3.2	Trade in outstanding common and preference stocks	+ 52	+ 15	+ 34	+ 10	+ 53
4	New issues	+ 424	+ 407	+ 708	+ 452	+ 366
5	Retirements	- 98	- 124	- 120	- 37	- 114
6,7,8	Foreign securities	- 138	- 89	- 129	- 132	- 118
	Loans and capital subscriptions by Government of Canada:					
9	Advances, etc.	- 23	- 10	- 8	- 16	- 44
10	Repayments to Canada	+ 20	+ 2	+ 2	+ 1	-
11	Columbia River Treaty, net	+ 44	-	-	-	+ 88
13	Long-term capital transactions n.i.e.	+ 93	+ 29	+ 20	- 74	+ 12
	Change in Canadian dollar holdings of foreigners:					
14.1	Deposits	+ 28	+ 8	+ 4	+ 4	+ 54
14.2	Government of Canada demand liabilities	+ 11	- 4	- 3	+ 1	+ 27
14.3	Canadian treasury bills	- 2	+ 23	+ 1	+ 11	+ 13
17	Other capital movements	- 396	- 708	- 118	- 559	+ 65
E	Net capital movement (excluding monetary items shown below) in:					
1	Long-term forms (D1 to D13)	+ 507	+ 132	+ 742	+ 360	+ 356
2	Short-term forms (D14 to D17)	- 359	- 681	- 116	- 543	+ 159
3	Total	+ 148	- 549	+ 626	- 183	+ 515
H-C+E	Official monetary movements:					
4	Official international reserves	+ 31	- 495	+ 486	+ 28	+ 331
5	Official monetary liabilities	-	- 269	+ 134	+ 134	-
6	Net official monetary assets	+ 31	- 764	+ 620	+ 162	+ 331

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are mostly final.

1969				Annual Totals			Acct. No.
I	II	III	IV	1967	1968	1969	
millions of dollars							
3,469	3,805	3,557	4,055	11,338	13,538	14,886	A
31	28	29	22	112	120	110	1
90	260	585	144	1,318	992	1,079	3
83	114	80	129	295	331	406	4
201	236	243	254	830	894	934	5
62	100	109	92	329	370	363	6
264	272	283	290	863	963	1,109	7
4,200	4,815	4,886	4,986	15,085	17,208	18,887	11
							12
3,230	3,706	3,316	3,766	10,772	12,162	14,018	B
260	346	468	206	895	1,015	1,280	1
309	320	299	436	1,211	1,290	1,364	4
207	260	262	265	861	937	994	5
44	50	53	43	213	209	190	6
16	48	46	33	182	133	143	7
392	396	409	423	1,450	1,522	1,620	9
4,458	5,126	4,853	5,172	15,584	17,268	19,609	11
							12
+ 239	+ 99	+ 241	+ 289	+ 566	+ 1,376	+ 868	C
- 481	- 362	- 162	- 442	- 883	- 1,303	- 1,447	1
- 16	- 48	- 46	- 33	- 182	- 133	- 143	2
- 258	- 311	+ 33	- 186	- 499	- 60	- 722	3
							4
+ 130	+ 240	+ 95	+ 160	+ 691	+ 610	+ 625	D
- 55	- 110	- 30	- 60	- 125	- 135	- 255	1
+ 17	- 6	- 12	+ 2	- 57	- 69	+ 1	2
+ 37	+ 44	- 4	- 16	+ 12	+ 112	+ 61	3.1
+ 637	+ 513	+ 573	+ 335	+ 1,307	+ 1,933	+ 2,058	3.2
- 70	- 126	- 49	- 130	- 357	- 395	- 375	4
- 58	- 8	+ 64	+ 98	- 432	- 468	+ 96	5
							6,7,8
- 11	- 43	- 15	- 20	- 38	- 78	- 89	9
-	+ 2	-	+ 20	+ 34	+ 5	+ 22	10
-	-	-	+ 32	+ 44	+ 88	+ 32	11
- 84	- 23	+ 2	+ 91	+ 268	- 13	- 14	13
- 10	+ 25	- 4	+ 50	+ 24	+ 70	+ 61	14.1
- 2	- 30	+ 1	- 3	- 4	+ 21	- 34	14.2
+ 13	- 5	+ 5	+ 19	+ 4	+ 48	+ 32	14.3
- 324	- 216	- 664	- 230	- 852	- 1,320	- 1,434	17
+ 543	+ 483	+ 624	+ 512	+ 1,347	+ 1,590	+ 2,162	E
- 323	- 226	- 662	- 164	- 828	- 1,181	- 1,375	1
+ 220	+ 257	- 38	+ 348	+ 519	+ 409	+ 787	2
							3
- 38	- 54	- 5	+ 162	+ 17	+ 350	+ 65	H = C+E
-	-	-	-	+ 3	- 1	-	4
- 38	- 54	- 5	+ 162	+ 20	+ 349	+ 65	5
							6

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H For details see statement on page 24.

H 5 A minus sign indicates a receipt by Canada.



SYSTEM OF NATIONAL ACCOUNTS

QUARTERLY ESTIMATES OF THE CANADIAN
BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER

1970

Includes changes in the presentation
of tables — for note see page 2.



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The basic historical record of the Canadian quarterly Balance of Payments with all countries (including bilateral transactions) may be obtained from the following publications.

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information	1.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1967" revised 1965 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1969" for revised bilateral data for 1966 and 1967 and for revised global data for 1968 .....	.50

Additional subsidiary detail published regularly may be traced through the successive quarterly reports.

Note: This edition contains some rearrangement of the tables previously presented. Several statements which were formerly included with the textual comment have now been grouped in the main tabular body of the report. Some modifications in terminology have been introduced, allowance has been made for the allocation and transactions in SDR's and items have in some instances been regrouped to provide more readily recognizable links with the GNP accounts. A separate table is presented showing the adjustments made to Trade of Canada figures to arrive at exports and imports on a balance of payments basis.

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1970

During the first quarter of 1970 the exceptional strength in the Canadian merchandise trade account, combined with continued heavy long-term capital inflows contributed to upward pressures on the Canadian dollar and a buildup of official monetary reserves of \$527 million. In part this increase was due to the first allocations of Special Drawing Rights on January 1, Canada's initial allocation amounting to \$133 million, expressed in Canadian dollars, made in accordance with Resolution 24-12 of the Board of Governors of the International Monetary Fund. However, the unprecedented surplus on merchandise trade of \$622 million and the peak level of capital inflows in long-term forms of \$657 million were more important factors in the reserve accumulation. The increase beyond previous high levels was partly due to the net sales, mainly to the United States, of foreign securities - the quarterly inflow of \$117 million was the highest recorded quarterly inflow and was piled on top of an inflow of \$520 million due to new issues of Canadian securities.

Summary Statement

	1968	1969	1969				1970
			I Q	II Q	III Q	IV Q	I Q
			millions of dollars				
merchandise trade balance	+ 1,376	+ 868	+ 239	+ 99	+ 241	+ 289	+ 622
balance on non-merchandise transactions	- 1,436	- 1,590	- 497	- 410	- 208	- 475	- 572
current account balance	- 60	- 722	- 258	- 311	+ 33	- 186	+ 50
capital movements in long-term forms ..	+ 1,590	+ 2,162	+ 543	+ 483	+ 624	+ 512	+ 642
capital movements in short-term forms	- 1,181	- 1,375	- 323	- 226	- 662	- 164	- 298
net capital movement(1)	+ 409	+ 787	+ 220	+ 257	- 38	+ 348	+ 344
allocation of Special Drawing Rights ..	...	...	...	...	...	...	+ 133
change in net official monetary assets	+ 349	+ 65	- 38	- 54	- 5	+ 162	+ 527

(1) Excluding items shown below.

.. Not applicable.

The events of the first quarter were unusual to the extent that the current account balance and capital account flows combined to produce a basic balance (current account plus long-term capital movements) of \$707 million. In the third quarter of 1969 when the basic balance inflow was of a similar magnitude, \$657 million, the level of residents' holdings of foreign bank balances and other short-term funds abroad rose dramatically with the pull of high interest rates abroad and only small changes in official financing were required. Among special factors influencing movements in the first quarter were the rebound in exports from the strike-affected levels of the previous quarters, accounting in part for the increase in exports to the United States even though a slowdown in economic activity was evident in that country. The strength in foreign demand for Canadian exports also reflected the rapid growth of relatively new markets in Japan and the growing demand from Europe. The increase in Gross National Product in Canada in the first quarter of 1970 of 2 1/2 per cent was largely due to foreign demand and by itself does not reveal the underlying slowdown in domestic demand. If exports had remained stable in the first quarter the GNP would have shown only a 0.2 per cent increase in value and decline in real terms. This fact partly explains the lack of strength in demand for imports.

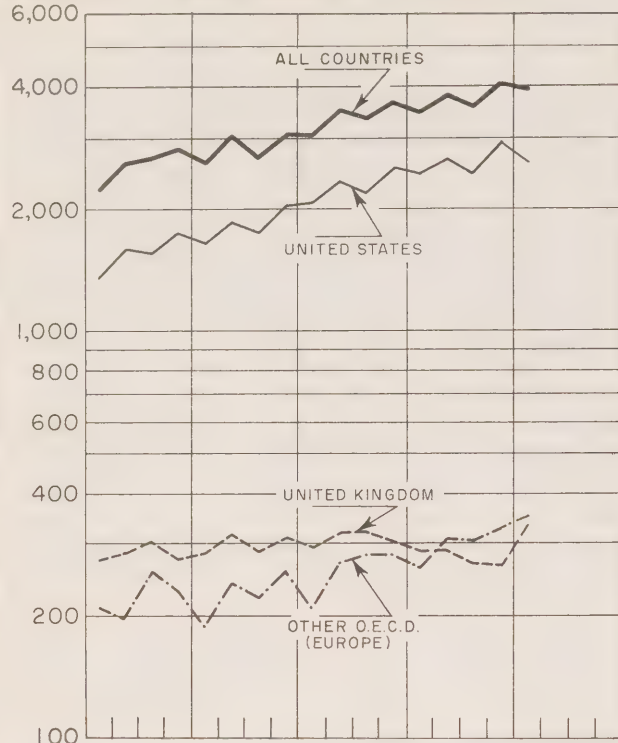
The long-term capital market was affected by the continuation of a relatively more rigorous anti-inflationary posture by the Canadian Government with resultant higher interest rates at the long end of the market compared to the United States - making investment in Canada attractive to United States residents. The decline in United States stock markets was sharper than in Canada, and net sales of foreign securities occurred on a significant scale. Finally, during the first quarter a fairly sharp decline occurred in money market rates, particularly in the Euro-dollar market and part of the overhang of several billions of dollars of residents' holdings of foreign bank balances and other short-term funds held abroad was repatriated.

Subsequent to the first quarter, economic indicators suggested a continuation of the trends experienced earlier. The trade surplus in April remained extraordinarily high by historical standards,

CURRENT ACCOUNT TRANSACTIONS

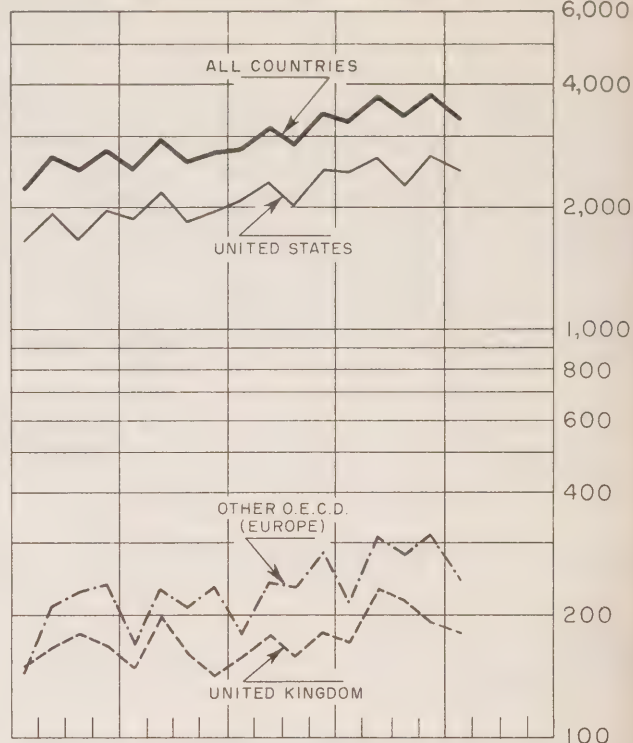
MILLIONS
OF DOLLARS
6,000

MERCHANDISE EXPORTS



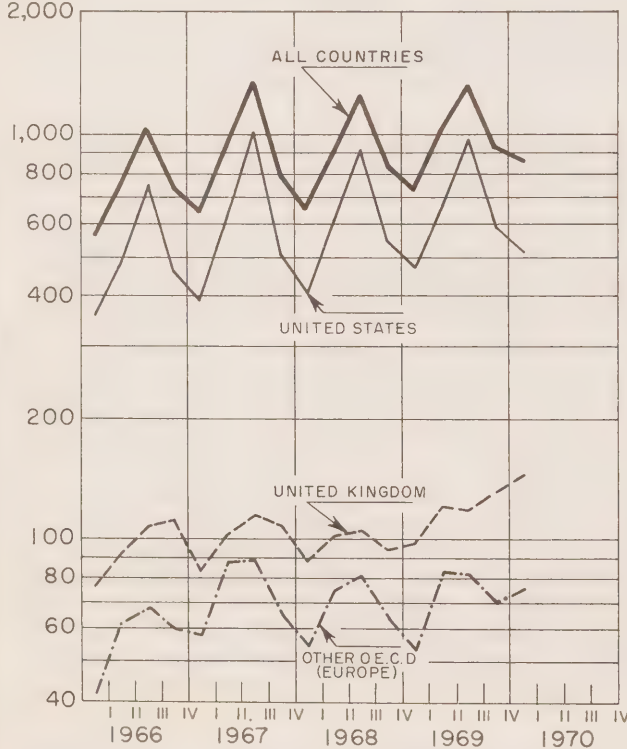
MERCHANDISE IMPORTS

MILLIONS
OF DOLLARS
6,000



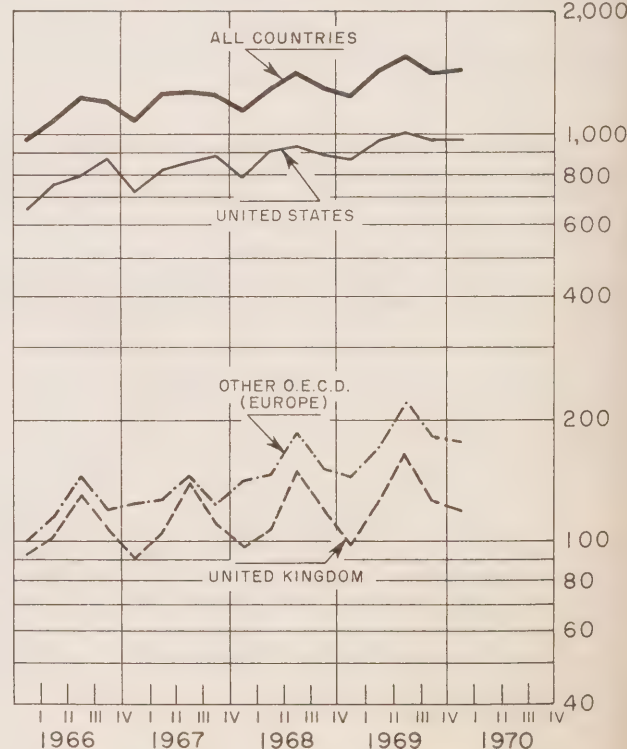
MILLIONS
OF DOLLARS
2,000

NON-MERCHANDISE EXPORTS



NON-MERCHANDISE IMPORTS

MILLIONS
OF DOLLARS
2,000



while official monetary reserves rose by US \$487 million in April and May to reach US \$4,084 million at the end of May. With the evidence suggesting that more reserves would be accumulated in the ensuing period the Minister of Finance announced on May 31 that the Canadian dollar would be allowed to float and to achieve a more appropriate level.

Merchandise Trade

In the first quarter of 1970 Canadian merchandise exports, mainly because of a marked improvement in sales to overseas markets, jumped by about 13 per cent over the same period in 1969 to \$3,936 million. Merchandise imports, on the other hand, rose at a much slower rate increasing by about 2.5 per cent to \$3,314 million. This resulted in the emergence of an unprecedented merchandise surplus of \$622 million, equivalent to about 72 per cent of the trade surplus for the whole of 1969. Although towards the end of the quarter there appeared an easing in the rate of increase of exports and some acceleration in import demand, an upsurge in the trade surplus reappeared in April. While some of the increase in exports could be attributed to sales of metals postponed from the second half of 1969 due to strikes in a number of key industries, such an effect tended to be mitigated by controls on exports of all forms of copper and nickel introduced early in the year to prevent abnormal flows to higher priced markets outside Canada. Foreign demand was strong for a number of crude and fabricated materials namely petroleum and natural gas, iron ore, copper, aluminum, newsprint paper and woodpulp. Moreover, despite some easing in the North American automobile market, exports of motor vehicles, engines and parts increased by about 10 per cent.

Generally speaking the small rise in imports was broadly based, the largest increases occurring in metal ores and alloys, fabricated iron and steel products and machinery. Imports of motor vehicles, engines and parts, partly as a result of a relative concentration in Canadian production facilities of cheaper but more popular models and partly due to reduced consumption expenditure on durables, declined by about 10 per cent.

The usual adjustments for balance of payments purposes to recorded merchandise trade data consisted of net reductions of \$3 million from exports principally for the timing of wheat deliveries and of \$17 million from imports, mainly on account of aircraft deliveries for which progress payments had been made in the past and automotive special tooling charges. The adjustment formerly made to reflect automobile interplant selling prices is no longer required as the basic Trade of Canada series since January 1970 values these commodities on this basis. The total adjustments made for balance of payments purposes have increased the recorded trade balance by about \$14 million.

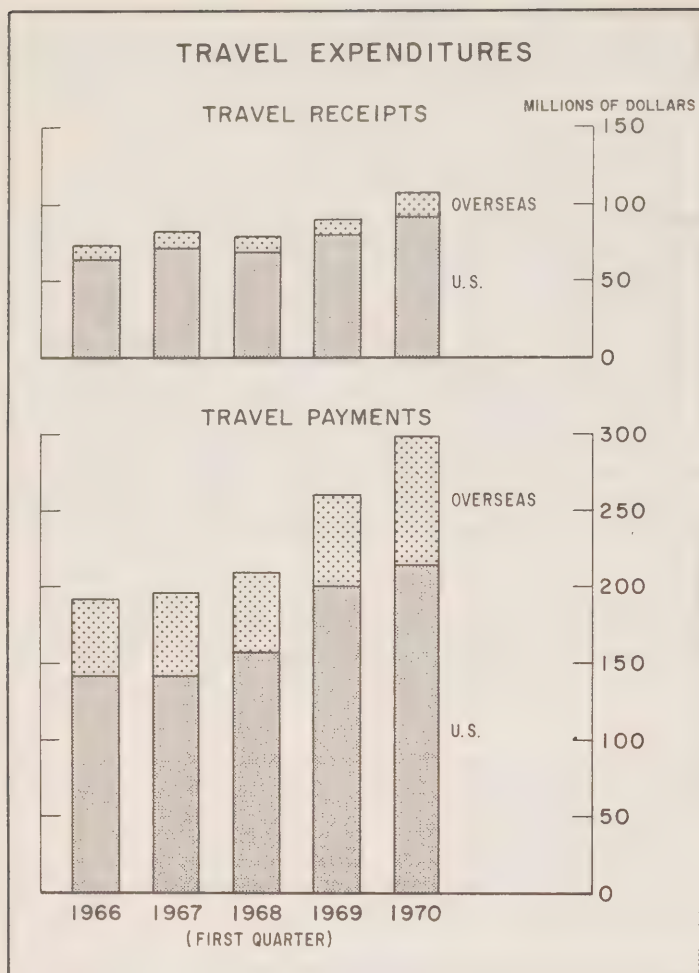
Average export prices in the first quarter of 1970 rose by almost 5 per cent over the first quarter 1969. On a component basis, excluding the small live animals group, higher than average increases occurred in the crude and fabricated materials groups. Average import prices increased by about 3 1/2 per cent, over the first quarter of 1969. In contrast to exports, import prices for the crude materials group generally remained at the same level as in 1969. Except for the food group the largest increase was in fabricated materials. Import prices of end products increased by about 3 per cent.

Non-merchandise Transactions

With the introduction in this quarterly publication of a new presentation of non-merchandise transactions with services and transfers grouped separately, there has been a restructuring of some of the non-merchandise items. Personal and institutional remittances and official contributions have been removed from the "all other current transactions" item and have been shown separately under transfers with the remaining "all other current transactions" being designated as "other service transactions". Inheritances and migrants' funds have also been classified to transfers. Pensions, included previously in the government component of "all other current transactions", are also treated as transfers and have been transferred to the personal and institutional remittances item.

In the first quarter of 1970 the deficit on non-merchandise transactions went up by 15 per cent over the first quarter 1969 to \$572 million as an 18 per cent rise in receipts to \$863 million, was, in absolute terms, well below the 17 per cent increase in payments, which rose to \$1,435 million.

On the receipts side the item "other service receipts" accounted for over half the total rise in non-merchandise receipts with the remainder spread broadly in travel, interest and dividends and freight and shipping. The rise in total payments was on the other hand largely due to increases in the items "other service payments" and interest and dividends which together accounted for about three quarters of the total increase.



The deficit on the travel account which this year included the effect of the Easter holidays continued to grow rising by about 13 per cent over last year's first quarter deficit to \$192 million. Practically all the increase in the deficit arose from travel transactions with overseas countries, mainly Europe and the Caribbean region. Over the year the number of visits to and from the United States both increased at about the same rate of 8 per cent while the number of Canadian visits overseas increased by around 45 per cent as against an increase of about 34 per cent in the number of overseas visits to Canada. As a result the ratio of the deficit with the United States to total travel deficit fell by 7 percentage points.

The net balance from receipts and payments of interest and dividends rose by about 29 per cent and moved from a deficit of \$226 million in the first quarter of 1969 to \$291 million in the same quarter of 1970. This net increase of \$65 million was accounted for by a rise of \$80 million in payments of interest and dividends to \$389 million, which was to a small extent offset by higher income receipts. Increased profits of unincorporated branches together with a rise in payments by Canadian subsidiaries to parent companies in the United States were the main factors responsible for an increase of \$45 million in dividend payments. Interest payments recorded an increase of \$35 million resulting both from large sales of new Canadian bond issues in the United States and Europe and higher interest rates in 1969. Total receipts of interest and dividends rose by \$15 million to \$98 million reflecting increases in both dividend receipts and interest receipts of

\$7 million and \$8 million respectively. Larger payments by foreign subsidiaries to Canadian parent companies were responsible for increased dividend receipts while the rise in interest receipts was mainly accounted for by larger earnings on official holdings of foreign exchange. The net balance from receipts and payments of interest and dividends accounted for about half of the deficit on non-merchandise transactions or 8 percentage points higher than the corresponding proportion for the first quarter of 1969.

The items for interest and dividends do not include "miscellaneous income" which is a part of other service receipts and payments in the main balance of payments tables. This income includes the return on foreign investments in Canadian securities held, through financial intermediaries, and on mortgages, real estate and other investments included in Canada's International Investment Position in the category Miscellaneous Investments. Also included are revenues from management services and from investments associated with the international operations of banks and insurance companies and interest paid on inter-company borrowings other than funded debt. Since substantial elements of these items have originated either as interest or dividends, they are shown in the following statement. For more detailed information on the income account and miscellaneous current transactions, readers are referred to the "Canadian Balance of International Payments 1961 and 1962 and International Investment Position", pp. 18-19 and 30-31.

Freight and shipping transactions, linked as they are with the pattern of merchandise trade, showed an increase of about 10 per cent in receipts and about 3 per cent in payments, changing a 1969 first quarter deficit of \$6 million into a surplus of \$8 million. This is the first time since the first quarter of 1958 that a surplus has arisen on this account.

Interest and Dividends and Miscellaneous Income

Period	Receipts				
	Interest	Dividends	Sub-total	Miscellaneous income (1)	Grand total
millions of dollars					
1968	102	229	331	252	583
1969	164	242	406	364	700
1969 I Q	32	51	83	87	170
II Q	36	78	114	86	200
III Q	31	49	80	92	172
IV Q	65	64	129	99	228
1970 I Q	40	58	98	145	243

	Payments				
	Interest	Dividends	Sub-total	Miscellaneous income (1)	Grand total
1968	548	742	1,290	342	1,632
1969	650	714	1,364	390	1,754
1969 I Q	142	167	309	92	401
II Q	174	146	320	99	419
III Q	151	148	299	96	395
IV Q	183	253	436	103	539
1970 I Q	177	212	389	121	510

(1) In the main balance of payments tables, this is included in other service receipts and other service payments; it includes in addition to investment income, all services associated with international banking and insurance operations.

The deficit on "other service transactions" was reduced by 5 per cent to \$106 million. Total receipts rose by about 31 per cent to \$315 million while total payments went up by about 20 per cent to \$421 million. The largest change occurred in miscellaneous income on which a deficit of \$5 million swung into a surplus of about \$24 million. This was due principally to higher banking revenues in the United States and United Kingdom and to higher earnings on private residents' balances of foreign exchange resulting from increased holdings and higher interest rates.

Net transfer payments which rose to \$16 million were largely unchanged from the deficit of \$14 million in the corresponding quarter of 1969. The surplus on migrants' transfers and inheritances nearly doubled to \$34 million. There was practically no change in the overall numbers of immigrants coming to Canada from the first quarter last year, but there were increases in amounts brought in by immigrants from nearly all regions. Further strengthening the balance on this account was a fall in the number of emigrants which led to a reduction of some 14 per cent in the transfers from Canada. The surplus on this account was the highest first quarter balance recorded in recent years.

Official contributions in the first quarter of 1970 almost doubled from \$16 million in the corresponding quarter of 1969 to \$30 million. More than one third of this amount was disbursed under the international food aid program; expenditures in the form of technical, economic, and educational assistance represented about one half. Due to an increase of \$5 million in personal and institutional remittance payments there was a widening of the deficit on this account to \$20 million from \$16 million.

Current Account Transactions in the First Quarter - Seasonally Adjusted

In the first quarter of 1970, the current account balance, seasonally adjusted at quarterly rates, moved from a deficit of \$114 million in the fourth quarter of 1969 to a surplus of \$280 million. This improvement in the current account balance was attributable entirely to a 150 per cent increase in

the merchandise trade balance to \$698 million — the highest quarterly seasonally adjusted trade surplus ever recorded. While imports declined 2 per cent to \$3,565 million from the fourth quarter of 1969 there was an increase in exports of 9 per cent in the first quarter of 1970, continuing the upsurge in exports which started in the second half of 1969. The non-merchandise deficit, consisting of payment balances of \$409 million on the service transactions and \$9 million on transfers, rose from the previous quarter by 6 per cent.

Total current receipts, after adjustment for seasonal variations, increased by over 9 per cent to \$5,404 million while total current payments increased marginally to \$5,124 million. There were some dramatic changes in the service transactions in the first quarter of 1970 over the previous quarter. Sizeable increases of over 19 per cent in travel receipts and of 7 per cent in travel payments resulted in a smaller deficit on travel.

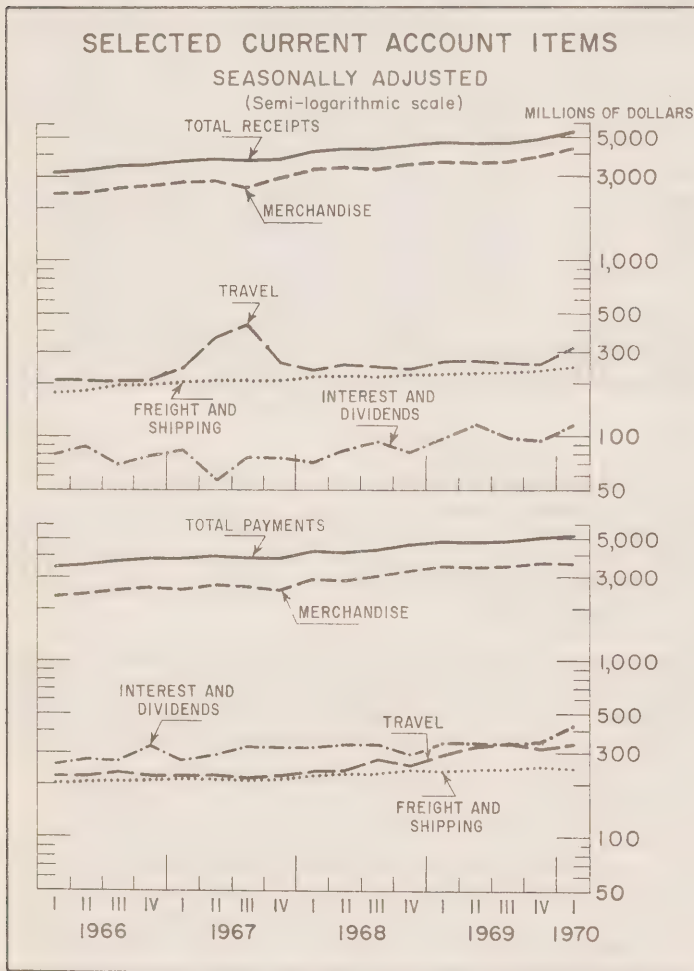
Partly as a result of a large irregular dividend payment during the first quarter, interest and dividend payments increased by 23 per cent to \$423 million; notwithstanding an almost equally large relative increase in the receipts which rose to \$115 million there was a rise of \$60 million in the deficit on interest and dividends to \$308 million. For the first time in recent years there was a small surplus of \$2 million on freight and shipping, produced by an increase of 4 per cent in receipts and a decline of 2 per cent in payments.

A small reduction in the deficit on service transactions resulted from an improvement of about 12 per cent in "other service receipts", which was only partially offset by an increase of 7 per cent on the payments side. The balance on transfers reversed from a surplus of \$2 million in the fourth quarter to a deficit of \$9 million due mainly to a rise of \$14 million in payments.

Seasonally adjusted at annual rates, the current account surplus amounted to \$1,120 million, as against the 1969 current account deficit of \$722 million. Also at annual rates, merchandise exports advanced to \$17,052 million and merchandise imports to \$14,260 million. The seasonally adjusted non-merchandise transactions deficit, taken at annual rates, rose to \$1,672 million. In the first quarter of 1970 the ratio of exports to gross national expenditures at market prices, seasonally adjusted at annual rates, rose to about 21 per cent, which is the highest ratio in the last five quarters.

Transactions by Areas

With the United States, in the first quarter of 1970, the over-the-year rate of growth in the merchandise trade surplus was even more marked than the relatively high growth rate in the overall trade surplus. Thus, with exports rising by 7 per cent to \$2,637 million and imports remaining nearly unchanged at \$2,461 million, the surplus rose by \$170 million to \$176 million. The improvement in the balance on merchandise trade more than offset the increase in the deficit on non-merchandise transactions, which rose by 15 per cent to \$451 million, and led to a reduction of about 30 per cent in the current account deficit with the United States which fell



to \$275 million. Increases in merchandise exports were concentrated in the crude materials group and in end products, mainly petroleum and automobiles. The decline in residential construction in the United States reduced the demand for lumber exports. On non-merchandise, a relatively sharp increase of \$64 million in the deficit on interest and dividends was partly offset by a relatively significant improvement in the net flow on migrants' funds and inheritances (a deficit of \$10 million giving way to a surplus of \$2 million). Other non-merchandise transactions, mainly miscellaneous income and business services, produced a further net deterioration of about \$8 million in the balance on invisibles.

With the United Kingdom, total current account receipts rose to \$480 million and total payments went up to \$299 million producing a surplus of \$181 million, up 57 per cent from the first quarter last year. More or less in line with the general pattern of merchandise trade with non-United States markets merchandise exports rose by 16 per cent to \$335 million and merchandise imports increased by about 5 per cent to \$181 million. The sharp rise in exports to the United Kingdom partly due to an improved economic climate in that country, reflected also a rebuilding of United Kingdom inventories of certain Canadian commodities following the disruption of supply caused by strikes in Canadian industry last year. There was in addition a significant improvement on non-merchandise transactions where last year's small deficit was changed into a surplus of \$27 million. The improvement came from a relatively large increase in the surplus on miscellaneous income which went up by \$40 million. Partly offsetting the large increase in the surplus on this item and smaller ones on freight and shipping and business services, there was a deterioration in the balance on government transactions, interest and dividends and travel amounting in all to \$13 million.

With the Rest of the Sterling Area, the current account balance almost doubled to \$68 million due to a larger trade balance which went up to \$73 million. Total receipts, three quarters of which came from merchandise exports, rose to \$236 million, and total payments, two thirds of which were merchandise imports, increased to \$168 million. There were increases in exports to Pakistan, Australia, Jamaica and a decrease to India mainly on account of reduced wheat shipments. A rise in imports of meat and metals from Australia contributed to an important increase in Australian imports which nearly doubled to \$24 million.

With the OECD (Europe) group of countries, the current account balance in the first quarter of 1970 moved from a deficit of \$42 million to a surplus of \$14 million. This increase arose from an improvement of over 100 per cent in the trade balance which rose to \$113 million and a small increase in the non-merchandise deficit which increased to \$99 million. The strength of exports to this group of countries derived from the relatively high level of economic activity in Europe besides possibly reflecting some of the effects of the revaluation of the Deutschemmark which took place last year. Increased exports of copper, nickel and aluminum to West Germany largely contributed to a spurt of over 36 per cent to about \$77 million in exports to that country. Relatively substantial increases also occurred in exports to France, Italy, Netherlands, Norway, Spain and Sweden. There were smaller increases in imports from West Germany, Italy and Netherlands and a decline in imports from France and Sweden.

With Other Countries total current receipts increased to \$505 million and total current payments went up to \$443 million. The current account balance with this group of countries rose as a result from \$8 million in the first quarter 1969 to \$62 million this year. Exports which grew by 37 per cent to \$432 million were again mainly responsible for this improvement. The rate of growth of merchandise imports, which increased to \$326 million was less than one third of the exports growth rate. Exports to Japan, Peru, Venezuela, Mexico and Puerto Rico increased. Shipments of wheat to the U.S.S.R. were up by about \$16 million but exports of aircraft to Brazil went down. Increases in imports from Japan and Colombia were partly offset by reductions in imports from China, Venezuela and Mexico. The deficit on non-merchandise transactions increased by \$32 million mainly on account of higher official contributions (which in 1970 were three times as large as a year earlier) and miscellaneous income payments.

Total current and capital account receipts by Canada from transactions in the United Kingdom and other overseas countries totalled \$265 million. An exceptionally strong current account balance produced a surplus of \$325 million while net capital inflows in long-term forms amounted to \$66 million. Short-term capital movements led to a net outflow of \$126 million.

The \$269 million total of the net receipts from the United States and overseas countries together with the gold production available for export of \$25 million and the \$133 million for the allocation of Special Drawing Rights resulted in a \$527 million increase in net official monetary assets.

If the credit representing new gold production available for export is excluded, Canada's current account deficit with the United States in the first quarter of 1970 was \$300 million. Capital

flows between the two countries produced a net influx of \$404 million as long-term movements led to a net inflow of \$576 million while capital movements in short-term forms produced a net outflow of \$172 million. In sum these transactions with the United States gave rise to net receipts by Canada of \$104 million.

Capital Movements

The net movement of capital between Canada and other countries in the first quarter gave rise to an inflow of \$344 million, or about the same amount as in the fourth quarter of 1969. Reflected in this figure was a higher inflow of capital in long-term forms (up \$130 million to \$642 million) as well as an increased outflow of short-term capital of \$298 million or almost double the fourth quarter's level. A sharp improvement in the current account balance resulted in a surplus of \$50 million and in addition, in January Canada received its allocation of \$133 million of Special Drawing Rights from the International Monetary Fund. On balance, therefore, a substantial \$527 million was added to Canada's net official monetary assets during the quarter.

Sales of Canadian new issues to non-residents, at \$520 million, were again the major factor contributing to the net inflow of long-term capital during the quarter. Transactions in outstanding securities gave rise to a large net inflow of \$118 million resulting almost entirely from net sales of United States equities. Inflows for direct investment in Canadian concerns totalled \$165 million, or slightly above the fourth quarter level, but these were largely offset by increased outflows of \$110 million for direct investment abroad. Retirements of foreign held Canadian securities declined to \$86 million. The effect of adjusting actual long-term capital inflows to reflect the timing of security offerings is given in the accompanying statement which shows that deliveries were in excess of offerings by \$13 million during the quarter. However, the balance of offerings undelivered at the end of the quarter remained high at \$771 million.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1968	+ 1,590	+ 2,142
1969	+ 2,162	+ 2,020
1969 I Q	+ 543	+ 565
II Q	+ 483	+ 483
III Q	+ 624	+ 477
IV Q	+ 512	+ 495
1970 I Q	+ 642	+ 629

The net outflow of \$298 million arising from capital movements in short-term forms in the first quarter compared with a \$164 million outflow in the fourth quarter of 1969. The more prominent transactions were net outflows of \$467 million in the "other short-term capital transactions" category which was partly offset by an inflow of \$241 million resulting from a decrease in residents' holdings of foreign bank balances and other short-term funds abroad.

The net spot holdings of foreign currency claims (excluding gold) on non-residents of the Canadian chartered banks fell on a transactions basis by \$222 million in the quarter while those with Canadians rose by \$72 million to produce an overall decrease of \$150 million.

Claims on residents of the United States fell by \$362 million while claims on residents of overseas countries rose by \$294 million. Liabilities to these areas decreased by \$61 million and increased by \$215 million respectively. Foreign currency claims on Canadians were increased by \$73 million while liabilities rose by only \$1 million. Thus the net decrease of \$150 million in the Canadian banks' foreign currency assets reflected a reduction in net assets of \$301 million with residents of the United States and increases of \$79 million and \$72 million with residents of overseas countries and Canada, respectively. These figures cannot be identified separately in the balance of payments presentation in this report but form elements of several of the items.

Direct Investment

Transactions affecting long-term investment in Canadian subsidiaries and affiliates of foreign companies in the first quarter of 1970 resulted in a net capital inflow of \$165 million - about the same level as in the final quarter of 1969 but \$35 million higher than in the corresponding quarter of that year. About three quarters of the flow originated in the United States while the bulk of the remainder came from continental Europe. Particularly prominent was an investment by a Swedish concern in the mining industry which represented about half the flow from overseas countries. Takeovers of existing

assets and reclassifications accounted for about a fifth of the total inflow. The mining industry received the largest share of the net inflow although the petroleum and manufacturing industries also received significant amounts.

Direct investment abroad by Canadians during the quarter under review led to an exceptionally large net outflow of \$110 million. Almost three quarters of the flow was destined for the United States and most of the balance to overseas countries other than the United Kingdom. The manufacturing industries in Canada notably the non-ferrous industry contributed almost two thirds of the net outflow.

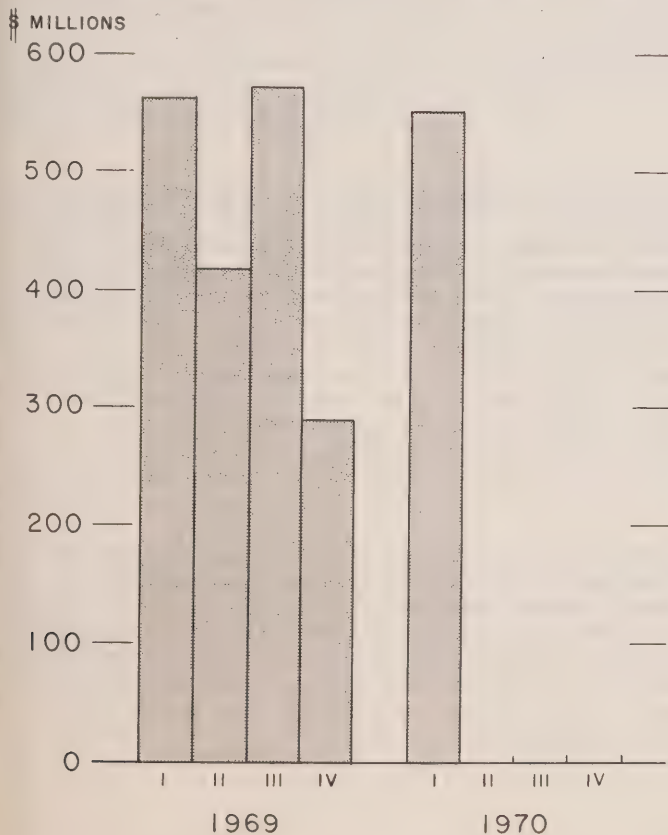
Security Transactions

New Issues of Canadian Bonds Sold to United States Residents

Period	Offerings	De-liveries	Undelivered(1)
millions of dollars			
1968	1,907	1,355	926
1969	1,180	1,322	784
1969 I Q	392	370	948
II Q	296	296	948
III Q	256	403	801
IV Q	236	253	784
1970 I Q	406	419	771

(1) At end of period.

NET INFLOWS OF PORTFOLIO CAPITAL FROM INTERNATIONAL SECURITY TRANSACTIONS



At \$551 million the first quarter inflow from international portfolio security transactions was sharply higher than the \$289 million net inflow recorded for the fourth quarter of 1969. Net inflows of \$460 million, \$27 million and \$67 million came from the United States, United Kingdom and continental European countries respectively, and an outflow of \$3 million took place in transactions with residents of all other countries. Sales abroad of new Canadian issues recovered in the first quarter to \$520 million, up from \$335 million in the fourth quarter of 1969 but were still substantially less than the figure of \$637 million for the first quarter of 1969. Provincial government issues both direct and guaranteed, at \$255 million, again represented the bulk of new sales, but sales of corporate and municipal bonds were also significantly higher at \$190 million and \$50 million, respectively. Borrowing abroad as a proportion of gross new Canadian issues fell to less than 30 per cent from almost 40 per cent in the first quarter of 1969. Sales in continental Europe of \$60 million in the first quarter, or approximately 12 per cent of total foreign borrowing by Canadians, compared with sales in the first quarter of 1969 of \$193 million, some 30 per cent of total borrowing abroad. Conversely, inflows of \$442 million from the United States were slightly more than the \$434 million recorded for the same period in 1969 despite the decline in total new issues abroad in the first quarter.

On a proportional basis the inflows from the United States represented approximately 85 per cent of total borrowing abroad compared with 68 per cent in 1969. Inflows from the United Kingdom, at \$18 million were \$10 million higher than in the first quarter of 1969. A sizeable net inflow in March from transactions in outstanding Canadian securities reversed a series of outflows dating back to November 1969, and led on balance to no net movement of funds in the first quarter. Retirements of Canadian bonds and debentures held abroad were slightly higher than a year earlier in all sectors except corporate giving rise to outflows of approximately \$86 million compared with \$70 million in the first quarter of 1969.

An unusually large net inflow of \$118 million from trading in outstanding foreign securities during the first quarter was the largest quarterly inflow on record, and exceeded the net inflow from outstanding security transactions for the whole of 1969. The inflow in the current period was due almost exclusively to net sales of United States equities, amounting to some \$116 million. New issues of foreign securities sold in Canada and retirements of foreign securities held by Canadians gave rise to small capital movements of \$3 million and \$2 million respectively, compared with new issues of \$6 million and retirements of \$3 million in the fourth quarter of 1969.

Other Capital Flows in Long-term Forms

Disbursements by the Canadian Government under intergovernmental loan programs totalled over \$20 million in the first quarter of 1970 - all under the development loan program. Geographically almost all of the disbursements went to Asia. In addition Canada subscribed over \$2 million to international development agencies and became a member of the Bank for International Settlements by subscribing almost \$3 million for shares of BIS capital stock. In contrast to the previous quarter when Canada received the regular \$20 million from the United Kingdom on the 1946 loan there were no repayments during the first quarter of principal on earlier loans.

Export Credits(1) Extended Directly or Indirectly at Risk of the Government of Canada

Year and quarter	Wheat			Other commodities			Total
	Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net	
millions of dollars							
1968	- 143	+ 216	+ 73	- 89	+ 45	- 44	+ 29
1969	- 101	+ 119	+ 18	- 76	+ 49	- 27	- 9
1969 I Q	- 25	+ 20	- 5	- 20	+ 12	- 8	- 13
II Q	- 39	+ 15	- 24	- 17	+ 11	- 6	- 30
III Q	- 18	+ 32	+ 14	- 22	+ 15	- 7	+ 7
IV Q	- 19	+ 52	+ 33	- 17	+ 11	- 6	+ 27
1970 I Q	- 29	+ 40	+ 11	- 17	+ 18	+ 1	+ 12

(1) Medium and long-term.

Transactions during the quarter arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government led to a net capital inflow of \$12 million or \$15 million less than the preceding quarterly amount of \$27 million. This reduction was due both to increased advances by Canada and to declining repayments by recipient countries. Amounts outstanding on a disbursement basis totalled almost \$500 million by the end of the first quarter which, however, excludes a large amount already committed but not disbursed.

The remaining capital movements in long-term forms, which include bank and other long-term loans, mortgage investments and movements of insurance funds, led to a net inflow of \$49 million compared with a somewhat higher inflow of \$64 million in the fourth quarter of 1969.

Capital Movements in Short-term Forms

Capital movements in short-term forms (apart from changes in net official monetary assets) led to a net capital outflow of \$298 million in the first quarter of 1970 or \$134 million more than in the previous quarter. Short-term yields both in Canada and abroad eased in the first quarter from the exceptionally high levels prevailing in December. Yields on Canadian treasury bills and representative finance company paper fell by 81 basis points and 123 basis points to 7.00 per cent and 7.74 per cent, respectively, while yields on United States treasury bills and three-month Euro-dollar deposits fell by 193 and 163 basis points to 6.45 per cent (on an adjusted basis) and 8.50 per cent respectively.

Interest rate differentials between Canadian and United States treasury bills widened from 57 basis points in favour of the United States at the end of 1969 to 55 basis points in favour of Canada at the end of the first quarter. The forward rate on the United States dollar moved from a discount of .06 per cent at the end of 1969 to a premium which fluctuated on a monthly average between a high of .28 per cent during February to a low of .08 per cent in March.

A decrease by Canadian residents of their holdings of foreign currency bank balances and other short-term funds abroad produced a net capital inflow of \$241 million. A decline of about \$220 million in the Canadian chartered banks foreign currency net spot position with non-residents was a significant factor in this movement. Canadian holdings of swapped deposits rose on balance in the quarter by about \$63 million to \$1,614 million after reaching a peak on January 21 of \$1,728 million.

Non-resident holdings of Canadian dollar deposits rose by \$30 million in the first quarter. Residents of the United Kingdom decreased their holdings by \$23 million but this was more than offset by increases of \$44 million, \$7 million and \$2 million in holdings by Western Hemisphere countries, other foreign countries, and international agencies, respectively. Government of Canada demand liabilities in the form of interest-free demand notes issued to international investment agencies declined by \$2 million in the first quarter of 1970. Non-residents increased their holdings of Canadian treasury bills by \$6 million to \$113 million in the quarter. Increased holdings of \$18 million by private non-residents, especially those from the European Economic Community, were partially offset by a reduction in holdings of foreign official institutions.

Transactions in finance company paper, mostly with United States residents, accounted for \$78 million of the total net outflow. This was the largest quarterly movement from transactions in finance company paper since the first quarter of 1969, even though gross trading was considerably lower than at any time since then. Other finance company obligations (including borrowings from foreign banks and inter-company accounts) resulted in a net outflow, \$34 million, for the first time since the third quarter of 1968. Finance company transactions included with capital movements in long-term forms were not significant during this quarter. Although giving rise to a net inflow of capital of only \$7 million, transactions in commercial paper increased sharply from the fourth quarter level, due mainly to trading with residents of the United Kingdom. Sales and re-purchases with the United Kingdom largely comprised temporary transfers, so-called "week-end money", and contributed to the largest turnover on record in this class of security. Dealings in other short-term paper (comprising mainly notes of banks, mortgage loan companies, and municipal and provincial governments) led to a net outflow of \$1 million.

All other transactions led to a net capital outflow of \$467 million. Among identifiable items the bulk of the net capital outflow reflected changes in intercompany accounts. On balance Canadian companies made substantial repayments on accounts owing abroad and at the same time extended additional credit to their foreign affiliates. About half of the overall net outflow represented amounts which have not yet been identified.

Official International Monetary Assets and Liabilities

Canada's net official monetary assets increased by a substantial US \$492 million during the first quarter to US \$3,597 million. Included in this increase was an amount equivalent to US \$124 million, representing Canada's share of the US \$3.5 billion of Special Drawing Rights which the International Monetary Fund allocated to participating member countries on January 1, 1970. Canada's subsequent transactions in Special Drawing Rights increased its total holdings to US \$133 million by the end of the quarter.

Holdings of United States dollars and other convertible currencies increased by US \$313 million and US \$2 million to levels of US \$2,057 million and US \$14 million respectively. Monetary gold holdings increased by US \$7 million to US \$879 million largely as a result of International Monetary Fund gold sales to Canada.

Canada's reserve position with the International Monetary Fund totalled US \$515 million at the end of March an increase of US \$37 million for the quarter. Drawings by France and Fund use of Canadian dollars accounted for US \$63.8 million in the period. Canada also augmented the Fund's Canadian dollar resources by making a loan under the General Arrangements to Borrow equivalent to US \$24.5 million. Repayments in Canadian dollars by foreign countries for previous drawings amounted to US \$18.1 million in the quarter.

The total of the above transactions provided for an overall increase in Canada's net official monetary assets in the first quarter expressed in Canadian dollars of \$527 million.

The Canadian dollar showed strongly on the foreign exchange markets throughout the quarter. The spot rate for the Canadian dollar closed at 107.25 cents for US \$1.00 a significant premium above the official parity of 108.108 cents (which was retained until the end of May 1970) and close to the upper support limit used in practice by the authorities under the fixed exchange rate system.

United States Dollar in Canada

Pound Sterling in Canada

Period	High	Low	Close	Noon average	High	Low	Close	Noon average
Canadian cents					Canadian cents			
1968	109.00	107.25	107.28	107.75	262.63	255.25	255.82	257.94
1969	108.25	107.25	107.28	107.68	258.89	255.72	257.55	257.39
1969 I Q	107.84	107.25	107.66	107.46	258.05	255.72	257.82	256.83
II Q	108.16	107.50	108.09	107.76	258.62	256.32	258.52	257.53
III Q	108.25	107.66	107.91	107.90	258.89	256.38	257.17	257.54
IV Q	108.06	107.28	107.28	107.60	258.27	257.25	257.55	257.65
1970 I Q	107.38	107.25	107.25	107.28	258.42	257.26	258.11	257.86
January	107.34	107.25	107.25	107.28	257.80	257.26	257.67	257.53
February	107.38	107.25	107.28	107.31	258.42	257.69	258.25	258.04
March	107.34	107.25	107.25	107.27	258.39	257.88	258.11	258.08

THE SYSTEM OF NATIONAL ACCOUNTS

In Canada, the National Accounts have been developed since the close of the Second World War in a series of publications relating to their constituent parts. These have now reached a stage of evolution where they can be termed a "System of National Accounts". For purposes of identification, all publications (containing tables of statistics, descriptions of conceptual frameworks, and descriptions of sources and methods) which make up this System will now carry the term "System of National Accounts" as a general title.

The System of National Accounts in Canada consists of several parts. The annual and quarterly Income and Expenditure Accounts (included with Catalogue Nos. carrying the prefix 13) were, historically speaking, the first set of statistics to be referred to with the title "National Accounts" (National Accounts, Income and Expenditure). The Balance of International Payments data, (Catalogue Nos. with prefix 67), in their more summary form, are also part of the System of National Accounts and they, in fact, pre-date the Income and Expenditure Accounts.

Greatly expanded structural detail on industries and on goods and services is portrayed in the Input-Output Tables of the System (Catalogue Nos. with prefix 15). The Indexes of Real Domestic Product by Industry (included with Catalogue Nos. carrying the prefix 61) provide "constant dollar" measures of the contribution of each industry to gross domestic product at factor cost. Inputs and outputs are related in Productivity Studies (Catalogue Nos. with prefix 14).

Both the Input-Output Tables and Indexes of Real Domestic Product by Industry use the establishment as the primary unit of industrial production. Measures of financial transactions are provided by the Financial Flow Accounts (Catalogue Nos. with prefix 13). Types of lenders and financial instruments are the primary detail in these statistics, and the

legal entity is the main unit of classification of transactors. Also, provision is made in the System for incorporation of balance sheet (wealth) estimates when such data are sufficiently developed.

The System of National Accounts provides an overall conceptually integrated framework in which the various parts can be considered as interrelated sub-systems. At present, direct comparisons amongst those parts which use the establishment as the basic unit and those which use the legal entity can be carried out only at highly aggregated levels of data. However, the Dominion Bureau of Statistics is continuing research on enterprise-company-establishment relationships; it may eventually be feasible to reclassify the data which are on one basis (say the establishment basis) to correspond to the units employed on another (the company or the enterprise basis).

In its broad outline, the Canadian System of National Accounts bears a close relationship to the international standard as described in the United Nations publication, "A System of National Accounts" (Studies in Methods, Series F., No. 2, Rev. 3, Statistical Office, Department of Economic and Social Affairs, United Nations, New York, 1968). In the future, a document on the conceptual framework of the Canadian System of National Accounts will be prepared for publication by the Dominion Bureau of Statistics. This document will furnish the broad theoretical outline of the System. The finer conceptual details, the statistical tables, and the descriptions of sources and methods as they pertain to the individual parts of the System, will appear in the various regular and occasional publications relating to those parts.

Following is a reconciliation statement of the current account of the Canadian balance of payments and exports and imports of goods and services as used in the Income and Expenditure Accounts.

Exports and Imports of Goods and Services Reconciliation Statement

	1968	1969	1969				1970 I Q
			I Q	II Q	III Q	IV Q	
	millions of dollars						
Exports of goods and services:							
"Current receipts" as per <i>Canadian Balance of International Payments</i>	17,208	18,887	4,200	4,815	4,886	4,986	4,799
Deduct:							
Current transfers:							
Personal remittances, etc.	- 96	- 99	- 24	- 25	- 25	- 25	- 25
Capital transfers:							
Inheritances and migrants' funds	- 370	- 363	- 62	- 100	- 109	- 92	- 72
Total "exports of goods and services" as per National Accounts	16,742	18,425	4,114	4,690	4,752	4,869	4,702
Imports of goods and services:							
"Current payments" as per <i>Canadian Balance of International Payments</i>	17,268	19,609	4,458	5,126	4,853	5,172	4,749
Deduct:							
Current transfers:							
Personal remittances, etc.	- 148	- 162	- 40	- 39	- 41	- 42	- 45
Official contributions	- 133	- 143	- 16	- 48	- 46	- 33	- 30
Capital transfers:							
Inheritances and migrants' funds	- 209	- 190	- 44	- 50	- 53	- 43	- 38
Add:							
Withholding taxes ¹	209	232	46	73	48	65	61
Total "imports of goods and services" as per National Accounts	16,987	19,346	4,404	5,062	4,761	5,119	4,697

¹ Investment income is taken into the balance of payments net of withholding taxes.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1)

Current Account

Line No.	Acct. No.	Item	1968				1969	
			I	II	III	IV	I	II
			millions of dollars					
	A	<u>Current receipts</u>						
1	1	Merchandise exports (adjusted)(2)	3,017	3,512	3,342	3,667	3,469	3,805
		Service receipts						
2	3	Gold production available for export	33	27	32	28	31	28
3	4	Travel	79	235	548	130	90	260
4	5	Interest and dividends	61	78	78	114	83	114
5	6	Freight and shipping	192	229	234	239	201	236
6	(part)11	Other service receipts	213	217	217	220	240	247
7		Total service receipts	578	786	1,109	731	645	885
8		Sub-totals, exports of goods and services	3,595	4,298	4,451	4,398	4,114	4,690
		Transfer receipts						
9	7	Inheritances and immigrants' funds	55	99	131	85	62	100
10	(part)11	Personal and institutional remittances(3)	23	25	24	24	24	25
11	12	Total current receipts	3,673	4,422	4,606	4,507	4,200	4,815
	B	<u>Current payments</u>						
12	1	Merchandise imports (adjusted)(2)	2,754	3,140	2,859	3,409	3,230	3,706
		Service payments						
13	4	Travel	209	258	375	173	260	346
14	5	Interest and dividends	293	314	297	386	309	320
15	6	Freight and shipping	193	243	247	254	207	260
16	(part)11	Other service payments	340	342	340	352	352	357
17		Total service payments	1,035	1,157	1,259	1,165	1,128	1,283
18		Sub-totals, imports of goods and services	3,789	4,297	4,118	4,574	4,358	4,989
		Transfer payments						
19	7	Inheritances and emigrants' funds	47	54	57	51	44	50
20	(part)11	Personal and institutional remittances(3)	38	37	36	37	40	39
21	9	Official contributions	14	40	50	29	16	48
22	12	Total current payments	3,888	4,428	4,261	4,691	4,458	5,126
	C	<u>Current account balance</u>						
23	1	Merchandise trade	+ 263	+ 372	+ 483	+ 258	+ 239	+ 99
		Service transactions						
24		Gold production available for export	+ 33	+ 27	+ 32	+ 28	+ 31	+ 28
25		Travel	- 130	- 23	+ 173	- 43	- 170	- 86
26		Interest and dividends	- 232	- 236	- 219	- 272	- 226	- 206
27		Freight and shipping	- 1	- 14	- 13	- 15	- 6	- 24
28		Other service transactions	- 127	- 125	- 123	- 132	- 112	- 110
29		Balance on service transactions	- 457	- 371	- 150	- 434	- 483	- 398
30		Balance on goods and services	- 194	+ 1	+ 333	- 176	- 244	- 299
31		Net transfers	- 21	- 7	+ 12	- 8	- 14	- 12
32	4	Total current account balance	- 215	- 6	+ 345	- 184	- 258	- 311

(1) Data for 1968, 1969 and 1970 are preliminary.

(2) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments - see Table 6.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1)

Current Account

1969		1970				1968	1969	Four quarters ended 1Q 1970	Acct. No.	Line No.
III	IV	I	II	III	IV					
millions of dollars										
3,557	4,055	3,936				13,538	14,886	15,353	A 1	1
29	22	25				120	110	104	3	2
585	144	107				992	1,079	1,096	4	3
80	129	98				331	406	421	5	4
243	254	221				894	934	954	6	5
258	265	315				867	1,010	1,085	(part)11	6
1,195	814	766				3,204	3,539	3,660		7
4,752	4,869	4,702				16,742	18,425	19,013		8
109	92	72				370	363	373	7	9
25	25	25				96	99	100	(part)11	10
4,886	4,986	4,799				17,208	18,887	19,486	12	11
									B	
3,316	3,766	3,314				12,162	14,018	14,102	1	12
468	206	299				1,015	1,280	1,319	4	13
299	436	389				1,290	1,364	1,444	5	14
262	265	213				937	994	1,000	6	15
368	381	421				1,374	1,458	1,527	(part)11	16
1,397	1,288	1,322				4,616	5,096	5,290		17
4,713	5,054	4,636				16,778	19,114	19,392		18
53	43	38				209	190	184	7	19
41	42	45				148	162	167	(part)11	20
46	33	30				133	143	157	9	21
4,853	5,172	4,749				17,268	19,609	19,900	12	22
									C	
+ 241	+ 289	+ 622				+ 1,376	+ 868	+ 1,251	1	23
+ 29	+ 22	+ 25				+ 120	+ 110	+ 104		24
+ 117	- 62	- 192				- 23	- 201	- 223		25
- 219	- 307	- 291				- 959	- 958	- 1,023		26
- 19	- 11	+ 8				- 43	- 60	- 46		27
- 110	- 116	- 106				- 507	- 448	- 442		28
- 202	- 474	- 556				- 1,412	- 1,557	- 1,630		29
+ 39	- 185	+ 66				- 36	- 689	- 379		30
- 6	- 1	- 16				- 24	- 33	- 35		31
+ 33	- 186	+ 50				- 60	- 722	- 414	4	32

(3) Personal and institutional remittances include pension payments. Prior to 1 Quarter 1970 publications, the total of this line was included in "all other current" transactions.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1) - Concluded

Capital Account(4)

Line No.	Acct. No.	Item	1968				1969	
			I	II	III	IV	I	II
			millions of dollars					
	D							
		Direct investment(5)						
33	1	In Canada	+ 20	+ 229	+ 178	+ 183	+ 130	+ 240
34	2	Abroad	- 66	+ 17	- 9	- 77	- 55	- 110
		Portfolio transactions						
		Canadian securities						
35	3.1	Outstanding bonds	- 52	- 11	- 13	+ 7	+ 17	- 6
36	3.2	Outstanding stocks	+ 15	+ 34	+ 10	+ 53	+ 37	+ 44
37	4	New issues	+ 407	+ 708	+ 452	+ 366	+ 637	+ 513
38	5	Retirements	- 124	- 120	- 37	- 114	- 70	- 126
		Foreign securities						
39	6	Outstanding issues	- 75	- 127	- 121	- 102	- 49	- 6
40	7	New issues	- 23	- 9	- 14	- 24	- 11	- 21
41	8	Retirements	+ 9	+ 7	+ 3	+ 8	+ 2	+ 19
		Loans and subscriptions - Government of Canada						
42	9	Advances	- 10	- 8	- 16	- 44	- 11	- 43
43	10	Repayments	+ 2	+ 2	+ 1	-	-	+ 2
44	11	Columbia River Treaty	-	-	-	+ 88	-	-
45	12	Export credits directly or indirectly at risk of the Government of Canada	+ 44	+ 8	- 8	- 15	- 13	- 30
46	13	Other long-term capital transactions	- 15	+ 12	- 66	+ 27	- 71	+ 7
47	E 1	Balance of capital movements in long-term forms (lines 33-46)	+ 132	+ 742	+ 360	+ 356	+ 543	+ 483
48	D 17.1	Resident holdings of foreign bank balances and other short-term funds abroad	- 124	+ 27	- 148	- 164	- 156	- 569
		Non-resident holdings of Canadian:						
49	14.1	Dollar deposits	+ 8	+ 4	+ 4	+ 54	- 10	+ 25
50	14.2	Government demand liabilities	- 4	- 3	+ 1	+ 27	- 2	- 30
51	14.3	Treasury bills	+ 23	+ 1	+ 11	+ 13	+ 13	- 5
52	17.2a	Commercial paper	- 1	- 1	+ 3	+ 1	- 1	+ 23
53	17.3	Finance company paper	- 60	- 35	- 36	-	+ 159	+ 71
54	17.2b	Other short-term paper	+ 7	- 17	- 1	+ 12	- 2	- 20
55	17.4	Other finance company obligations	- 6	- 7	- 2	+ 34	+ 23	+ 28
56	17.5	Other short-term capital transactions(6)	- 524	- 85	- 375	+ 182	- 347	+ 251
57	E 2	Balance of capital movements in short-term forms (lines 48-56)	- 681	- 116	- 543	+ 159	- 323	- 226
58	E 3	Total net capital balance	- 549	+ 626	- 183	+ 515	+ 220	+ 257
59		Allocation of Special Drawing Rights .....	...	...	...	...	...	...
	H	Net official monetary assets(7):						
60	4	Official international reserves	- 495	+ 486	+ 28	+ 331	- 38	- 54
61	5	Official monetary liabilities	- 269	+ 134	+ 134	-	-	-
62	6	Net official monetary assets	- 764	+ 620	+ 162	+ 331	- 38	- 54

(4) A minus sign in Accounts D and E equals an outflow of capital from Canada and represents an increase in holdings of assets abroad or a reduction in liabilities to non-residents.

(5) Exclusive of undistributed profits.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1) - Concluded

Capital Account(4)

1969		1970				1968	1969	Four quarters ended 1 Q 1970	Acct. No.	Line No.
III	IV	I	II	III	IV					
millions of dollars										
									D	
+ 95	+ 160	+ 165				+ 610	+ 625	+ 660	1	33
- 30	- 60	- 110				- 135	- 255	- 310	2	34
- 12	+ 2	+ 4				- 69	+ 1	- 12	3.1	35
- 4	- 16	- 4				+ 112	+ 61	+ 20	3.2	36
+ 573	+ 335	+ 520				+ 1,933	+ 2,058	+ 1,941	4	37
- 49	- 130	- 86				- 395	- 375	- 391	5	38
+ 67	+ 101	+ 118				- 425	+ 113	+ 280	6	39
- 5	- 6	- 3				- 70	- 43	- 35	7	40
+ 2	+ 3	+ 2				+ 27	+ 26	+ 26	8	41
- 15	- 20	- 25				- 78	- 89	- 103	9	42
-	+ 20	-				+ 5	+ 22	+ 22	10	43
-	+ 32	-				+ 88	+ 32	+ 32	11	44
+ 7	+ 27	+ 12				+ 29	- 9	+ 16	12	45
- 5	+ 64	+ 49				- 42	- 5	+ 115	13	46
+ 624	+ 512	+ 642				+ 1,590	+ 2,162	+ 2,261	E 1	47
- 622	- 262	+ 241				- 409	- 1,609	- 1,212	D 17.1	48
- 4	+ 50	+ 30				+ 70	+ 61	+ 101	14.1	49
+ 1	- 3	- 2				+ 21	- 34	- 34	14.2	50
+ 5	+ 19	+ 6				+ 48	+ 32	+ 25	14.3	51
- 15	+ 36	+ 7				+ 2	+ 43	+ 51	17.2a	52
- 71	+ 17	- 78				- 131	+ 176	- 61	17.3	53
- 5	+ 24	- 1				+ 1	- 3	- 2	17.2b	54
+ 3	+ 62	- 34				+ 19	+ 116	+ 59	17.4	55
+ 46	- 107	- 467				- 802	- 157	- 277	17.5	56
- 662	- 164	- 298				- 1,181	- 1,375	- 1,350	E 2	57
- 38	+ 348	+ 344				+ 409	+ 787	+ 911	E 3	58
...	...	+ 133				...	...	+ 133		59
- 5	+ 162	+ 527				+ 350	+ 65	+ 630	H	60
-	-	-				- 1	-	-	4	61
- 5	+ 162	+ 527				+ 349	+ 65	+ 630	5	62

(6) Includes balancing item representing difference between direct measures of current and capital accounts and embodies errors and omissions from both accounts.

(7) For detailed composition of official monetary assets see Table 4.

... Not applicable.

TABLE 2. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Current Account — Seasonally Adjusted

Line No.	Acct. No.	Item	1968			
			I	II	III	IV
			millions of dollars			
	A	<u>Current receipts</u>				
1	1	Merchandise exports (adjusted)(1)	3,268	3,361	3,334	3,575
		Service receipts				
2	3	Gold production available for export	31	28	32	29
3	4	Travel	241	257	252	242
4	5	Interest and dividends	71	85	94	81
5	6	Freight and shipping	220	223	222	229
6	(part)11	Other service receipts	206	216	219	226
7		Total service receipts.....	769	809	819	807
8		Sub-totals, exports of goods and services	4,037	4,170	4,153	4,382
		Transfer receipts				
9	7	Inheritances and immigrants' funds	77	90	109	94
10	(part)11	Personal and institutional remittances(2)	24	24	24	24
11	12	Total current receipts	4,138	4,284	4,286	4,500
	B	<u>Current payments</u>				
12	1	Merchandise imports (adjusted)(1)	2,967	2,908	3,007	3,280
		Service payments				
13	4	Travel	240	239	278	258
14	5	Interest and dividends	321	337	336	296
15	6	Freight and shipping	228	232	232	245
16	(part)11	Other service payments	332	341	348	353
17		Total service payments	1,121	1,149	1,194	1,152
18		Sub-totals, imports of goods and services	4,088	4,057	4,201	4,432
		Transfer payments				
19	7	Inheritances and emigrants' funds	56	58	48	47
20	(part)11	Personal and institutional remittances(2)	37	38	37	36
21	9	Official contributions	25	30	41	37
22	12	Total current payments	4,206	4,183	4,327	4,552
	C	<u>Current account balance</u>				
23	1	Merchandise trade	+ 301	+ 453	+ 327	+ 295
		Service transactions				
24		Gold production available for export	+ 31	+ 28	+ 32	+ 29
25		Travel	+ 1	+ 18	- 26	- 16
26		Interest and dividends	- 250	- 252	- 242	- 215
27		Freight and shipping	- 8	- 9	- 10	- 16
28		Other service transactions	- 126	- 125	- 129	- 127
29		Total service transactions	- 352	- 340	- 375	- 345
30		Balance on goods and services	- 51	+ 113	- 48	- 50
31		Net transfers	- 17	- 12	+ 7	- 2
32	4	Total current account balance	- 68	+ 101	- 41	- 52

(1) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments.

TABLE 2. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Current Account — Seasonally Adjusted

1969				1970				Acct. No.	Line No.
I	II	III	IV	I	II	III	IV		
millions of dollars									
								A	
3,718	3,607	3,650	3,911	4,263				1	1
29	29	28	24	23				3	2
272	274	266	267	319				4	3
97	117	97	95	115				5	4
229	230	233	242	252				6	5
233	245	259	273	305				(part)11	6
860	895	883	901	1,014					7
4,578	4,502	4,533	4,812	5,277					8
88	89	87	99	101				7	9
24	25	25	25	26				(part)11	10
4,690	4,616	4,645	4,936	5,404				12	11
								B	
3,483	3,423	3,481	3,631	3,565				1	12
299	326	339	316	339				4	13
341	343	337	343	423				5	14
244	247	248	255	250				6	15
342	356	377	383	411				(part)11	16
1,226	1,272	1,301	1,297	1,423					17
4,709	4,695	4,782	4,928	4,988					18
52	52	45	41	46				7	19
40	40	41	41	46				(part)11	20
29	36	38	40	44				9	21
4,830	4,823	4,906	5,050	5,124				12	22
								C	
+ 235	+ 184	+ 169	+ 280	+ 698				1	23
+ 29	+ 29	+ 28	+ 24	+ 23					24
- 27	- 52	- 73	- 49	- 20					25
- 244	- 226	- 240	- 248	- 308					26
- 15	- 17	- 15	- 13	+ 2					27
- 109	- 111	- 118	- 110	- 106					28
- 366	- 377	- 418	- 396	- 409					29
- 131	- 193	- 249	- 116	+ 289					30
- 9	- 14	- 12	+ 2	- 9					31
- 140	- 207	- 261	- 114	+ 280				4	32

(2) Personal and institutional remittances include pension payments. Prior to I Quarter 1970 publications, the total of this line was included in "all other current" transactions.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

By Area

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of dollars					
	<u>United States</u>						
1	Merchandise exports (adjusted)	2,054	2,331	2,199	2,532	2,459	2,666
2	Non-merchandise receipts(1,4)	375	578	888	522	442	639
3	Total current receipts	2,429	2,909	3,087	3,054	2,901	3,305
4	Merchandise imports (adjusted)	2,076	2,307	2,019	2,465	2,453	2,664
5	Non-merchandise payments(1)	796	907	932	889	864	975
6	Total current payments	2,872	3,214	2,951	3,354	3,317	3,639
	Balance						
7	Merchandise trade	- 22	+ 24	+ 180	+ 67	+ 6	+ 2
8	Non-merchandise trade	- 421	- 329	- 44	- 367	- 422	- 336
9	Current account balance	- 443	- 305	+ 136	- 300	- 416	- 334
	Capital movements(2)						
10	In long-term forms	+ 111	+ 383	+ 262	+ 328	+ 335	+ 329
11	In short-term forms	- 507	- 228	- 746	+ 186	- 149	+ 314
12	Total net capital balance	- 396	+ 155	- 484	+ 514	+ 186	+ 643
	<u>United Kingdom</u>						
13	Merchandise exports (adjusted)	296	319	323	303	289	291
14	Non-merchandise receipts(1)	89	102	106	95	98	122
15	Total current receipts	385	421	429	398	387	413
16	Merchandise imports (adjusted)	160	180	161	181	173	231
17	Non-merchandise payments(1)	97	107	150	119	99	125
18	Total current payments	257	287	311	300	272	356
	Balance						
19	Merchandise trade	+ 136	+ 139	+ 162	+ 122	+ 116	+ 60
20	Non-merchandise trade	- 8	- 5	- 44	- 24	- 1	- 3
21	Current account balance	+ 128	+ 134	+ 118	+ 98	+ 115	+ 57
	Capital movements(2)						
22	In long-term forms	- 1	+ 55	- 34	+ 35	+ 9	+ 17
23	In short-term forms	- 203	- 52	- 14	- 112	- 347	- 654
24	Total net capital balance	- 204	+ 3	- 48	- 77	- 338	- 637
	<u>Rest of the Sterling Area</u>						
25	Merchandise exports (adjusted)	133	168	165	149	141	154
26	Non-merchandise receipts(1)	43	53	66	57	45	65
27	Total current receipts	176	221	231	206	186	219
28	Merchandise imports (adjusted)	77	110	130	140	95	152
29	Non-merchandise payments(1)	36	56	53	43	45	69
30	Total current payments	113	166	183	183	140	221
	Balance						
31	Merchandise trade	+ 56	+ 58	+ 35	+ 9	+ 46	+ 2
32	Non-merchandise trade	+ 7	- 3	+ 13	+ 14	-	- 4
33	Current account balance	+ 63	+ 55	+ 48	+ 23	+ 46	- 2

See footnotes at the end of table.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

By Area

1969		1970				1968	1969	Four quarters ended 1Q 1970	No.
III	IV	I	II	III	IV				
millions of dollars									
2,437	2,938	2,637				9,116	10,500	10,678	1
950	566	489				2,363	2,597	2,644	2
3,387	3,504	3,126				11,479	13,097	13,322	3
2,281	2,711	2,461				8,867	10,109	10,117	4
1,005	964	965				3,524	3,808	3,909	5
3,286	3,675	3,426				12,391	13,917	14,026	6
+ 156	+ 227	+ 176				+ 249	+ 391	+ 561	7
- 55	- 398	- 476				- 1,161	- 1,211	- 1,265	8
+ 101	- 171	- 300				- 912	- 820	- 704	9
+ 451	+ 387	+ 576				+ 1,084	+ 1,502	+ 1,743	10
- 538	- 87	- 172				- 1,295	- 460	- 483	11
- 87	+ 300	+ 404				- 211	+ 1,042	+ 1,260	12
271	268	335				1,241	1,119	1,165	13
119	133	145				392	472	519	14
390	401	480				1,633	1,591	1,684	15
216	193	181				682	813	821	16
164	127	118				473	515	534	17
380	320	299				1,155	1,328	1,355	18
+ 55	+ 75	+ 154				+ 559	+ 306	+ 344	19
- 45	+ 6	+ 27				- 81	- 43	- 15	20
+ 10	+ 81	+ 181				+ 478	+ 263	+ 329	21
- 18	+ 43	+ 30				+ 55	+ 51	+ 72	22
- 276	- 74	- 46				- 381	- 1,351	- 1,050	23
- 294	- 31	- 16				- 326	- 1,300	- 978	24
174	156	181				615	625	665	25
65	66	55				219	241	251	26
239	222	236				834	866	916	27
168	173	108				457	588	601	28
49	45	60				188	208	223	29
217	218	168				645	796	824	30
+ 6	- 17	+ 73				+ 158	+ 37	+ 64	31
+ 16	+ 21	- 5				+ 31	+ 33	+ 28	32
+ 22	+ 4	+ 68				+ 189	+ 70	+ 92	33

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

By Area

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of dollars					
	<u>Other OECD (Europe)(3)</u>						
34	Merchandise exports (adjusted)	204	269	283	283	265	311
35	Non-merchandise receipts(1)	55	75	81	64	54	83
36	Total current receipts	259	344	364	347	319	394
37	Merchandise imports (adjusted)	181	240	235	285	214	311
38	Non-merchandise payments(1)	140	146	184	152	147	170
39	Total current payments	321	386	419	437	361	481
	Balance						
40	Merchandise trade	+ 23	+ 29	+ 48	- 2	+ 51	-
41	Non-merchandise trade	- 85	- 71	- 103	- 88	- 93	- 87
42	Current account balance	- 62	- 42	- 55	- 90	- 42	- 87
	<u>Other Countries</u>						
43	Merchandise exports (adjusted)	330	425	372	400	315	383
44	Non-merchandise receipts(1)	61	75	91	74	61	73
45	Total current receipts	391	500	463	474	376	456
46	Merchandise imports (adjusted)	260	303	314	338	295	348
47	Non-merchandise payments(1)	65	72	83	79	73	81
48	Total current payments	325	375	397	417	368	429
	Balance						
49	Merchandise trade	+ 70	+ 122	+ 58	+ 62	+ 20	+ 35
50	Non-merchandise trade	- 4	+ 3	+ 8	- 5	- 12	- 8
51	Current account balance	+ 66	+ 125	+ 66	+ 57	+ 8	+ 27
	<u>All Countries</u>						
52	Merchandise exports (adjusted)	3,017	3,512	3,342	3,667	3,469	3,805
53	Non-merchandise receipts(1, 4)	656	910	1,264	840	731	1,010
54	Total current receipts	3,673	4,422	4,606	4,507	4,200	4,815
55	Merchandise imports (adjusted)	2,754	3,140	2,859	3,409	3,230	3,706
56	Non-merchandise payments(1)	1,134	1,288	1,402	1,282	1,228	1,420
57	Total current payments	3,888	4,428	4,261	4,691	4,458	5,126
	Balance						
58	Merchandise trade	+ 263	+ 372	+ 483	+ 258	+ 239	+ 99
59	Non-merchandise trade	- 478	- 378	- 138	- 442	- 497	- 410
60	Current account balance	- 215	- 6	+ 345	- 184	- 258	- 311
	Capital movements						
61	In long-term forms	+ 132	+ 742	+ 360	+ 356	+ 543	+ 483
62	In short-term forms	- 681	- 116	- 543	+ 159	- 323	- 226
63	Total net capital balance	- 549	+ 626	- 183	+ 515	+ 220	+ 257
64	Allocation of Special Drawing Rights .....	...	...	...	...	...	...
65	Change in net official monetary assets	- 764	+ 620	+ 162	+ 331	- 38	- 54

(1) Including transfer receipts/payments.

(2) Capital movements by area on a quarterly basis are only available for Canada's transactions with the United States and the United Kingdom.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS -- Concluded

By Area

1969		1970				1968	1969	Four quarters ended 1Q 1970	No.
111	1V	1	11	111	1V				
millions of dollars									
308	324	351				1,039	1,208	1,294	34
82	70	76				275	289	311	35
390	394	427				1,314	1,497	1,605	36
283	315	238				941	1,123	1,147	37
221	180	175				622	718	746	38
504	495	413				1,563	1,841	1,893	39
+ 25	+ 9	+ 113				+ 98	+ 85	+ 147	40
- 139	- 110	- 99				- 347	- 429	- 435	41
- 114	- 101	+ 14				- 249	- 344	- 288	42
367	369	432				1,527	1,434	1,551	43
84	74	73				301	292	304	44
451	443	505				1,828	1,726	1,855	45
368	374	326				1,215	1,385	1,416	46
98	90	117				299	342	386	47
466	464	443				1,514	1,727	1,802	48
- 1	- 5	+ 106				+ 312	+ 49	+ 135	49
- 14	- 16	- 44				+ 2	- 50	- 82	50
- 15	- 21	+ 62				+ 314	- 1	+ 53	51
3,557	4,055	3,936				13,538	14,886	15,353	52
1,329	931	863				3,670	4,001	4,133	53
4,886	4,986	4,799				17,208	18,887	19,486	54
3,316	3,766	3,314				12,162	14,018	14,102	55
1,537	1,406	1,435				5,106	5,591	5,798	56
4,853	5,172	4,749				17,268	19,609	19,900	57
+ 241	+ 289	+ 622				+ 1,376	+ 868	+ 1,251	58
- 208	- 475	- 572				- 1,436	- 1,590	- 1,665	59
+ 33	- 186	+ 50				- 60	- 722	- 414	60
+ 624	+ 512	+ 642				+ 1,590	+ 2,162	+ 2,261	61
- 662	- 164	- 298				- 1,181	- 1,375	- 1,350	62
- 38	+ 348	+ 344				+ 409	+ 787	+ 911	63
...	...	+ 133				...	...	+ 133	64
- 5	+ 162	+ 527				+ 349	+ 65	+ 630	65

(3) Includes Austria, Belgium and Luxembourg, Denmark, Federal Republic of Germany, France, Greece, Greenland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey. Finland included as of January 1970.

(4) Gold production available for export has not been allocated on a bilateral basis but is included in the total for all countries.

... Not applicable.

TABLE 4. CANADA'S OFFICIAL INTERNATIONAL MONETARY ASSETS AND LIABILITIES

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of United States dollars at end of period					
	<u>Assets</u>						
	Official holdings of foreign exchange						
1	U.S. dollars	1,269	1,649	1,672	1,965	1,918	1,758
2	Other convertible currencies	16	15	16	12	9	15
3	Monetary gold	976	926	863	863	863	866
4	Special Drawing Rights .....	...	...	...	...	...	...
5	Reserve position in IMF	—	121	186	206	221	322
6	Total official international reserves(1)	2,261	2,711	2,737	3,046	3,011	2,961
	<u>Liabilities</u>						
7	Use of IMF credit(2)	—	—	—	—	—	—
8	Foreign exchange deposit liabilities ...	1	1	1	1	1	1
9	Reported use of central bank reciprocal credit facilities	250	125	—	—	—	—
10	Total official monetary liabilities	251	126	1	1	1	1
11	Net official monetary assets	2,010	2,585	2,736	3,045	3,010	2,960
		Change in millions of Canadian dollars					
	<u>Change in Assets and Liabilities</u>						
12	Total official international reserves(3)	— 495	+ 486	+ 28	+ 331	— 38	— 54
13	Total official monetary liabilities(3)	— 269	+ 134	+ 134	—	—	—

(1) As published by the Minister of Finance.

(2) Transactions with the IMF when that institution holds Canadian dollars in excess of 100 per cent of the Canadian quota.

TABLE 4. CANADA'S OFFICIAL INTERNATIONAL MONETARY ASSETS AND LIABILITIES

1969		1970							No.
III	IV	I	II	III	IV	January	February	March	
millions of United States dollars at end of period									
1,668 14	1,744 12	2,057 14							1 2
872	872	879							3
...	...	133							4
402	478	515							5
2,956	3,106	3,598							6
-	-	-							7
1	1	1							8
-	-	-							9
1	1	1							10
2,955	3,105	3,597							11
Change in millions of Canadian dollars									
- 5	+ 162	+ 527							12
-	-	-							13

(3) These totals appear as items H4 and H5 in Table 1.
... Not applicable.

TABLE 5. CANADA'S GENERAL ACCOUNT WITH THE INTERNATIONAL MONETARY FUND(1)

	Canadian assets			Canadian liabilities (equals IMF holdings of Canadian dollars)							Canada's net balance with IMF (2)
	Transactions		Total assets	Transactions						Total liabil- ities	
	Subscrip- tion to IMF (Quota)	Loans under GAB		Subscrip- tions and loans	Foreign currencies		Canadian dollars		Other		
					Drawings by Canada	Re- payments (-)	Drawings by other countries(-)	Re- payments			
millions of United States dollars											
1947-1966	740.0	50.0	790.0	605.0	300.0	- 245.7	- 949.4	570.1	61.5(3)	341.5	448.5
1967		-15.0	775.0	- 15.0			- 30.0	45.1		341.6	433.4
1968		-35.0	740.0	- 35.0	426.0	- 64.8	- 138.5	7.3	- 2.8(4)	533.8	206.2
1969		95.5	835.5	65.5			- 293.5	43.2	8.4	357.4	478.1
1968 1		-35.0	740.0	- 35.0	426.0			7.3		739.9	0.1
11			740.0				- 121.0			618.9	121.1
111			740.0			- 64.8				554.1	185.9
1V			740.0				- 17.5		- 2.8(4)	533.8	206.2
1969 1			740.0				- 15.0			518.8	221.2
11		40.0	780.0	40.0			- 103.5		2.5(3)	457.8	322.2
111		25.5	805.5	25.5			- 87.0	0.8	6.1(3)	403.2	402.3
1V		30.0(5)	835.5				- 88.0	42.4	- 0.2(4)	357.4	478.1
1970 1		24.5	860.0	24.5			- 63.8	18.1	8.8(3)	345.0	515.0
11											
111											
1V											

(1) Excludes Special Drawing Rights account.

(2) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow (GAB). Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million. The Canadian dollar equivalent of changes in positive balances appears as a component of item H4 in Table 1. Changes in negative balances, i.e. use of IMF credit, are shown as a component of item H5.

(3) Sales of Canadian dollars to IMF for gold.

(4) Dividend payment to Canada.

(5) Acquisition of GAB notes issued previously to another IMF member.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

TABLE 6. BALANCE OF PAYMENTS ADJUSTMENTS TO TRADE OF CANADA FIGURES

Item	1968				1969				1970				1968	1969	1970
	I	II	III	IV	I	II	III	IV	I	II	III	IV			
	millions of dollars														
Trade of Canada EXPORTS (including re-exports)	3,021	3,517	3,373	3,694	3,467	3,811	3,556	4,036	3,939					13,605	14,870
Adjustments															
Wheat	+ 3	+ 29	- 21	- 15	-	+ 4	- 1	+ 8	- 6					- 4	+ 11
Aircraft and other adjustments	- 7	- 34	- 10	- 12	+ 2	- 10	+ 2	+ 11	+ 3					- 63	+ 5
Equals merchandise exports adjusted to balance of payments basis	3,017	3,512	3,342	3,667	3,469	3,805	3,557	4,055	3,936					13,538	14,886
Trade of Canada IMPORTS ..	2,810	3,200	2,884	3,464	3,264	3,805	3,349	3,784	3,331					12,358	14,202
Adjustments															
Automotive products	- 38	- 37	- 28	- 44	- 46	- 64	- 42	- 28	- 22					- 147	- 180
Aircraft and other equipment	- 13	- 18	+ 9	- 5	+ 17	- 30	+ 14	+ 16	+ 11					- 27	+ 17
Other adjustments	- 5	- 5	- 6	- 6	- 5	- 5	- 5	- 6	- 6					- 22	- 21
Equals merchandise imports adjusted to balance of payments basis	2,754	3,140	2,859	3,409	3,230	3,706	3,316	3,766	3,314					12,162	14,018
Trade balance on balance of payments basis	+ 263	+ 372	+ 483	+ 258	+ 239	+ 99	+ 241	+ 289	+ 622					+1,376	+ 868

TABLE 7. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Summary of Current Account

Period	Exports (adjusted)	Imports (adjusted)	Trade balance	Non- merchandise receipts(1)	Non- merchandise payments(1)	Non- merchandise balance	Total current account balance	Current account balance		
								With:(2) United States	With: United Kingdom	With: All other countries
millions of dollars										
1960	5,392	5,540	- 148	1,744	2,829	- 1,085	- 1,233	- 1,359	+ 169	- 43
1961	5,889	5,716	+ 173	1,899	3,000	- 1,101	- 928	- 1,341	+ 195	+ 218
1962	6,387	6,203	+ 184	2,036	3,050	- 1,014	- 830	- 1,092	+ 225	+ 37
1963	7,082	6,579	+ 503	2,207	3,231	- 1,024	- 521	- 1,148	+ 417	+ 210
1964	8,238	7,537	+ 701	2,509	3,634	- 1,125	- 424	- 1,635	+ 605	+ 606
1965	8,745	8,627	+ 118	2,736	3,984	- 1,248	- 1,130	- 1,937	+ 505	+ 302
1966	10,326	10,102	+ 224	3,070	4,456	- 1,386	- 1,162	- 2,030	+ 425	+ 443
1967	11,338	10,772	+ 566	3,747	4,812	- 1,065	- 499	- 1,342	+ 512	+ 331
1968	13,538	12,162	+ 1,376	3,670	5,106	- 1,436	- 60	- 792	+ 478	+ 254
1969	14,886	14,018	+ 868	4,001	5,591	- 1,590	- 722	- 710	+ 263	- 275
1970										
1965 I	1,826	1,866	- 40	505	886	- 381	- 421	- 595	+ 96	+ 78
II	2,191	2,218	- 27	648	985	- 337	- 364	- 532	+ 141	+ 27
III	2,263	2,101	+ 162	930	1,058	- 128	+ 34	- 175	+ 138	+ 71
IV	2,465	2,442	+ 23	653	1,055	- 402	- 379	- 635	+ 130	+ 126
1966 I	2,223	2,213	+ 10	563	960	- 397	- 387	- 590	+ 106	+ 97
II	2,602	2,651	- 49	734	1,065	- 331	- 380	- 605	+ 110	+ 115
III	2,695	2,472	+ 223	1,033	1,223	- 190	+ 33	- 191	+ 101	+ 123
IV	2,806	2,766	+ 40	740	1,208	- 468	- 428	- 644	+ 108	+ 108
1967 I	2,596	2,481	+ 115	648	1,076	- 428	- 313	- 563	+ 127	+ 123
II	3,003	2,975	+ 28	947	1,244	- 297	- 269	- 508	+ 116	+ 123
III	2,691	2,591	+ 100	1,350	1,250	+ 100	+ 200	+ 48	+ 102	+ 50
IV	3,048	2,725	+ 323	802	1,242	- 440	- 117	- 319	+ 167	+ 35
1968 I	3,017	2,754	+ 263	656	1,134	- 478	- 215	- 410	+ 128	+ 67
II	3,512	3,140	+ 372	910	1,288	- 378	- 6	- 278	+ 134	+ 138
III	3,342	2,859	+ 483	1,264	1,402	- 138	+ 345	+ 168	+ 118	+ 59
IV	3,667	3,409	+ 258	840	1,282	- 442	- 184	- 272	+ 98	- 10
1969 I	3,469	3,230	+ 239	731	1,228	- 497	- 258	- 385	+ 115	+ 12
II	3,805	3,706	+ 99	1,010	1,420	- 410	- 311	- 306	+ 57	- 62
III	3,557	3,316	+ 241	1,329	1,537	- 208	+ 33	+ 130	+ 10	- 107
IV	4,055	3,766	+ 289	931	1,406	- 475	- 186	- 149	+ 81	- 118
1970 I	3,936	3,314	+ 622	863	1,435	- 572	+ 50	- 275	+ 181	+ 144
II										
III										
IV										

(1) Includes transfers.

(2) Includes gold production available for export.

TABLE 7. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

Summary of Capital Account

Period	Direct investment in Canada	Direct investment abroad	Portfolio transactions	Other capital movements in long-term forms	Resident holdings of foreign bank balances and other short-term funds abroad	Non-resident holdings of Canadian short-term paper	Other capital movements in short-term forms(1)	Net capital movement	Allocation of Special Drawing Rights	Change in net official monetary assets
millions of dollars										
1960	+ 670	- 50	+ 217	+ 92	- 60	+ 56	+ 269	+ 1,194	...	- 39
1961	+ 560	- 80	+ 312	+ 138	+ 142	- 58	+ 206	+ 1,220	...	+ 292
1962	+ 505	- 105	+ 294	- 6	+ 92	+ 4	+ 200	+ 984	...	+ 154
1963	+ 280	- 135	+ 471	+ 21	- 259	+ 43	+ 245	+ 666	...	+ 145
1964	+ 270	- 95	+ 645	-	- 527	+ 169	+ 326	+ 788	...	+ 364
1965	+ 535	- 125	+ 546	- 92	+ 140	- 140	+ 425	+ 1,289	...	+ 159
1966	+ 790	- 5	+ 325	+ 57	- 603	- 12	+ 251	+ 803	...	- 359
1967	+ 691	- 125	+ 473	+ 308	- 284	- 39	- 505	+ 519	...	+ 20
1968	+ 610	- 135	+ 1,113	+ 2	- 409	- 80	- 692	+ 409	...	+ 349
1969	+ 625	- 255	+ 1,841	- 49	- 1,609	+ 248	- 14	+ 787	...	+ 65
1970										
1965 I	+ 142	- 57	+ 106	+ 22	+ 173	- 8	- 27	+ 351	...	- 70
II	+ 133	+ 33	+ 69	- 53	+ 140	- 4	+ 47	+ 365	...	+ 1
III	+ 111	- 55	+ 218	- 58	- 76	- 60	+ 110	+ 190	...	+ 224
IV	+ 149	- 46	+ 153	- 3	- 97	- 68	+ 295	+ 383	...	+ 4
1966 I	+ 134	- 22	+ 356	+ 1	- 166	+ 7	- 56	+ 254	...	- 133
II	+ 203	- 29	- 3	+ 56	- 22	- 14	+ 66	+ 257	...	- 123
III	+ 151	+ 80	+ 27	- 6	- 318	- 41	- 12	- 119	...	- 86
IV	+ 302	- 34	- 55	+ 6	- 97	+ 36	+ 253	+ 411	...	- 17
1967 I	+ 154	- 37	+ 116	+ 47	+ 330	+ 16	- 328	+ 298	...	- 15
II	+ 186	- 16	+ 29	+ 48	+ 46	- 11	- 65	+ 217	...	- 52
III	+ 166	- 34	+ 102	+ 79	- 311	- 71	- 75	- 144	...	+ 56
IV	+ 185	- 38	+ 226	+ 134	- 349	+ 27	- 37	+ 148	...	+ 31
1968 I	+ 20	- 66	+ 157	+ 21	- 124	- 31	- 526	- 549	...	- 764
II	+ 229	+ 17	+ 482	+ 14	+ 27	- 52	- 91	+ 626	...	+ 620
III	+ 178	- 9	+ 280	- 89	- 148	- 23	- 372	- 183	...	+ 162
IV	+ 183	- 77	+ 194	+ 56	- 164	+ 26	+ 297	+ 515	...	+ 331
1969 I	+ 130	- 55	+ 563	- 95	- 156	+ 169	- 336	+ 220	...	- 38
II	+ 240	- 110	+ 417	- 64	- 569	+ 69	+ 274	+ 257	...	- 54
III	+ 95	- 30	+ 572	- 13	- 622	- 86	+ 46	- 38	...	- 5
IV	+ 160	- 60	+ 289	+ 123	- 262	+ 96	+ 2	+ 348	...	+ 162
1970 I	+ 165	- 110	+ 551	+ 36	+ 241	- 66	- 473	+ 344	+ 133	+ 527
II										
III										
IV										

(1) Includes errors and omissions.

... Not applicable.

CATALOGUE No.

67-001

QUARTERLY



SYSTEM OF NATIONAL ACCOUNTS

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER

1970

Contains annual bilateral balance of payments estimates for 1967 and 1968 plus statistics of Canada's international investment position at the end of 1967.

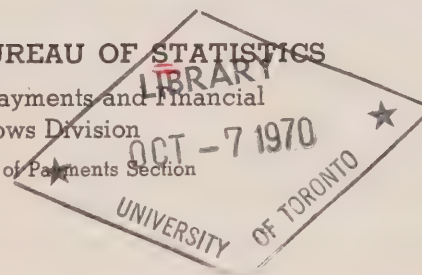
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DOMINION BUREAU OF STATISTICS

Balance of Payments and Financial

Flows Division

Balance of Payments Section



September 1970
2306-502

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Vol. 18—No. 2

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<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
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Additional subsidiary detail published regularly may be traced through
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THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1970

The exceptional strength of the merchandise trade account which became evident in the first quarter of 1970 continued through the second quarter resulting in a current account surplus of almost \$250 million. Capital movements also led on balance to large inflows for although the influx of capital in long-term forms virtually dried up in the quarter (as new issues abroad fell by some 60 per cent) capital movements in short-term forms swung by about \$830 million to a net inflow of some \$530 million. Increased holdings by non-residents of Canadian finance company paper were a prominent part of this inflow as also was a rise in the short-term foreign currency bank borrowings of residents.

Summary Statement

	1968	1969	1969				1970	
			I Q	II Q	III Q	IV Q	I Q	II Q
			millions of dollars					
Merchandise trade balance	+ 1,375	+ 887	+ 241	+ 103	+ 242	+ 301	+ 633	+ 663
Balance on non-merchandise transactions	- 1,482	- 1,678	- 514	- 437	- 236	- 491	- 592	- 417
Current account balance	- 107	- 791	- 273	- 334	+ 6	- 190	+ 41	+ 246
Capital movements in long-term forms ..	+ 1,654	+ 2,257	+ 560	+ 532	+ 596	+ 569	+ 655	+ 7
Capital movements in short-term forms	- 1,198	- 1,401	- 325	- 252	- 607	- 217	- 302	+ 528
Net capital movement(1)	+ 456	+ 856	+ 235	+ 280	- 11	+ 352	+ 353	+ 535
Allocation of Special Drawing Rights ..	...	...	...	...	...	...	+ 133	-
Net official monetary movements	+ 349	+ 65	- 38	- 54	- 5	+ 162	+ 527	+ 781

(1) Excluding items shown below.

In the face of the mounting pressure in both the spot and forward foreign exchange markets the Canadian dollar was unpegged at the end of May from its parity of 92.5 US cents and allowed to float on the foreign exchange market. At the end of June the spot Canadian dollar was quoted at about 96.3 US cents. During the quarter Canada's net holdings of international reserves rose by \$781 million.

The strength in foreign demand for goods in the first half of the year was a most important factor in lessening the impact on the Canadian economy of restrained demand pressures in several important domestic sectors, particularly personal consumption expenditures and outlays on housing. Over the past year, indeed, the volume of goods and services produced in Canada rose by about 3 per cent whereas in the United States it actually declined marginally. However, since the end of the first quarter of this year, although the volume of exports was sustained at a very high level the sector did not add to demand and Canada experienced little or no growth in total output and a slight decline in industrial activity. At the same time, the labour force grew at a rapid rate, with a resultant sharp rise in unemployment; the level of unemployment was also exacerbated by temporary factors such as work stoppages. Under these conditions some easing in price increases was apparent in the second quarter of the year.

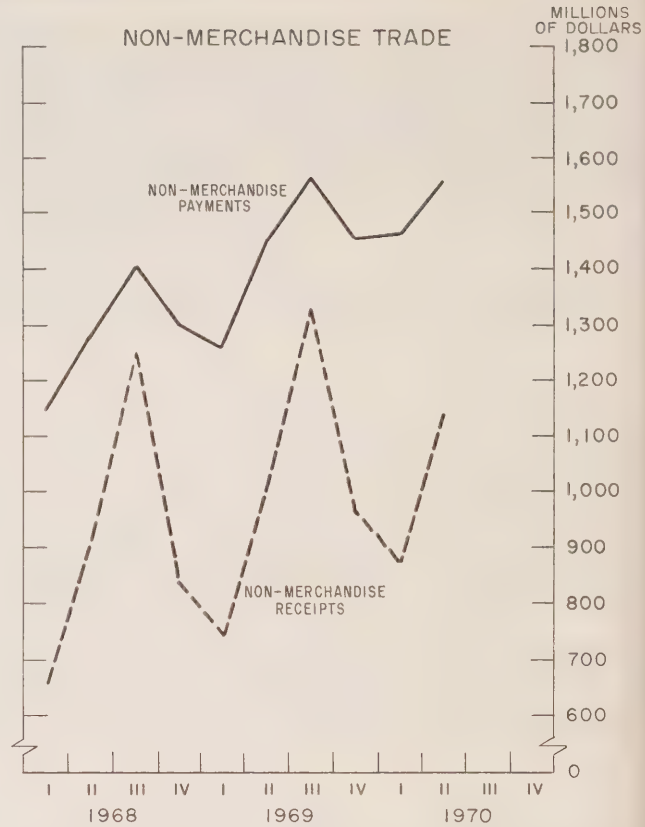
Monetary policy since early in the year has been aimed at producing an easing in the very tight credit conditions which prevailed at the beginning of 1970. Shortly after the beginning of 1970 interest rates abroad, particularly short-term rates, began to ease. The Bank of Canada permitted this development to have an effect on interest rates in Canada. Management of monetary policy during the second quarter was complicated by the upward pressure on the Canadian dollar in the exchange market, which gathered force at a time when there had already been a significant rise in bank liquidity and interest rates were declining. As the Government's Canadian dollar balances were used to buy foreign exchange, the total of privately held currency and bank deposits began to expand at a rate which was a good deal faster than desirable over the longer haul (at an annual rate of 17 per cent over the quarter as a whole). At mid-May the Government replenished its own cash balances to the extent of \$250 million through a special issue of treasury bills, adding further to bank liquidity. In the circumstances the Bank decided to offset this effect by an increase in the chartered banks' minimum secondary reserve ratio from 8 per cent to 9 per cent of deposit liabilities. Concurrently the Bank Rate was reduced as unduly high interest rates would have encouraged capital inflows, increasing the Government's cash requirements to finance further accretions to the Exchange Fund. The Bank Rate

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

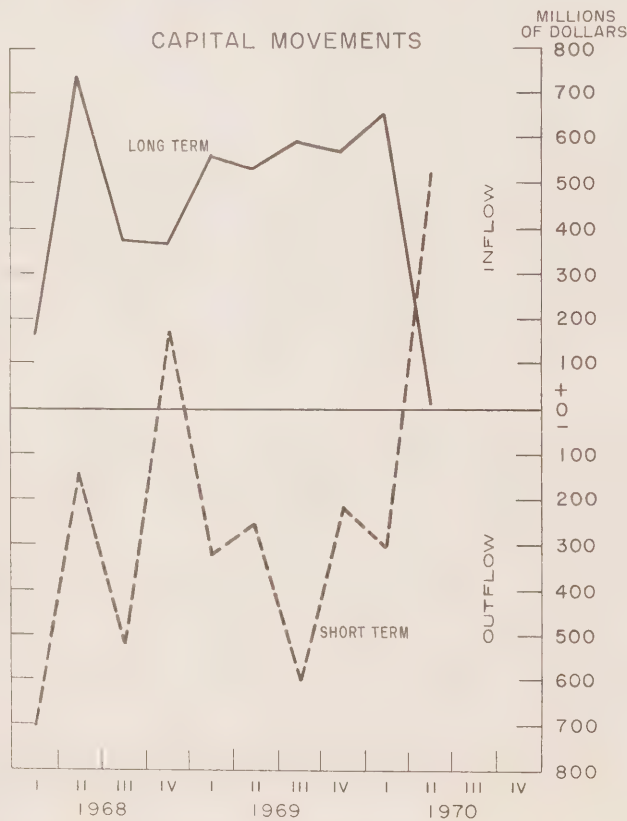
MERCHANDISE TRADE



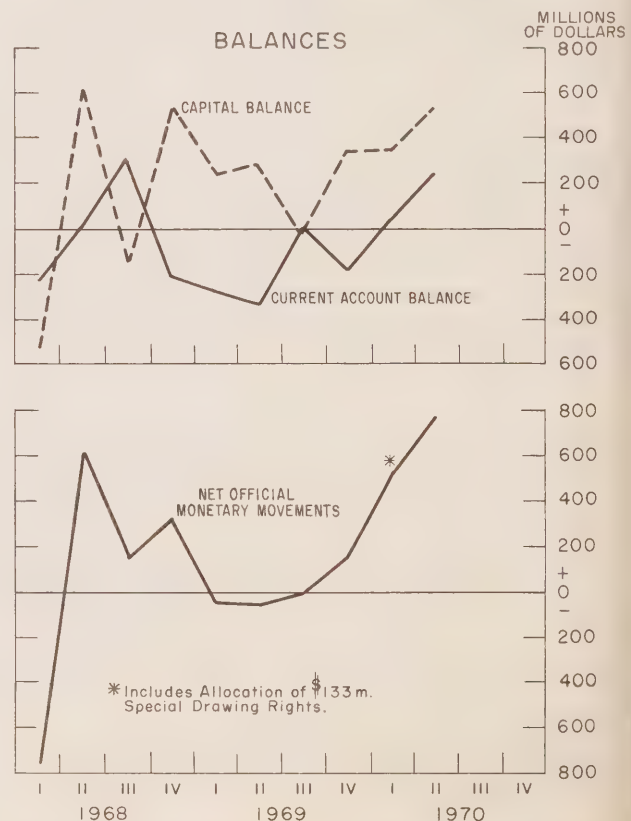
NON-MERCHANDISE TRADE



CAPITAL MOVEMENTS



BALANCES



*Includes Allocation of \$133m. Special Drawing Rights.

was reduced again at the beginning of June in the light of the potentially restrictive effects of the appreciation of the Canadian dollar which seemed likely to occur after the decision to permit the exchange rate to float.

Merchandise Trade

In the first six months of 1970 the Canadian foreign trade account posted a remarkable performance as exports shot ahead of imports to produce a merchandise trade surplus of \$1,296 million quadrupling that earned in the same period last year. Increasing by about the average rate of growth evident in the last five years, merchandise exports rose by 16 per cent compared with the same period of 1969 to \$8,461 million. This year's strength in the merchandise export sector was influenced by a number of factors in Canada and abroad. The return to normal production in a number of Canadian mineral resource industries where output was curtailed last year as a result of labour disputes gave a significant impetus. In addition relatively buoyant economic conditions in overseas markets, particularly in the European Economic Community and Japan, increased the demand for Canadian products.

The growth in exports was moreover accompanied by interesting changes in their direction and commodity composition. Thus whilst in the first six months of last year 70 per cent of Canadian exports were taken by the United States, this year the share of this market fell by 4 percentage points, whilst the share of the United Kingdom, the European Economic Community and Japan each rose by about 1 percentage point. On a commodity group basis, the share of crude materials rose by about 1 1/2 percentage points to over 17 per cent. On the other hand the shares of fabricated materials and end products (including automobiles and automotive products) fell about 1 percentage point in each case to about 36 and 37 per cent respectively. This development marked a break in the growth of the share of the end products group which had been rising consistently at a relatively brisk rate since 1966.

Significant increases in exports were recorded in wheat, crude petroleum, iron ore and other metals, woodpulp and motor vehicles and parts. The slowdown in the construction industry in the United States and depressed prices for wood products contributed to a reduction in the exports of lumber.

Imports rose in the half year by 3 per cent to \$7,165 million. This relatively small increase in imports led to a decline of ten percentage points in the import/export ratio from the corresponding period last year. The behaviour of imports so far this year has mainly reflected the generally sluggish tempo of the domestic economy.

Imports from the United States and major overseas sources except the United Kingdom increased moderately although the United States share in Canada's imports fell by about 1 percentage point to 73 per cent. The small increase in imports resulted from offsetting changes in a number of commodities. Imports of inorganic chemicals, metals, electronic computers and other office machinery increased while those of agricultural machinery declined.

Adjustments to recorded merchandise trade data for use in the balance of payments included a net increase of \$21 million to exports mainly for wheat timing corrections. A deduction of \$43 million from imports reflected principally deliveries of aircraft in excess of progress payments on aircraft in the quarter as well as automotive tooling charges recorded in services. The effect of these adjustments is an increase of \$64 million to the recorded trade balance.

In the first half of 1970 average export prices increased by 4 per cent over the same period in 1969. Within the three main groups of commodities, increases averaged about 12 per cent for the crude materials group, 7 per cent for the fabricated materials and 3 per cent for the end products group. Average import prices rose by 3 per cent mainly due to a 4 per cent increase for fabricated materials.

The impact of the floating of the Canadian dollar in June to a higher value in terms of foreign exchange is difficult to isolate. Prices of many exports (particularly of primary products) are set in international markets and some reduction in the Canadian dollar value of these exports on a unit basis is to be expected. Imports in general should be cheaper although there might be some tendency for foreign suppliers to increase their profit margins. Another factor confusing the picture is the large amount of intra-company trade; changes in pricing and trade flows within multinational companies will not necessarily be the same as in arms-length transactions.

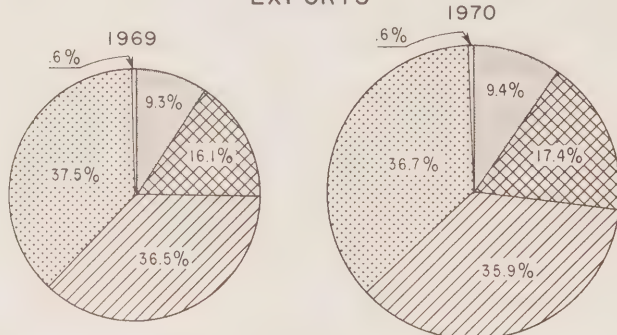
Non-merchandise Transactions

EXPORTS AND IMPORTS BY MAIN COMMODITY GROUPS

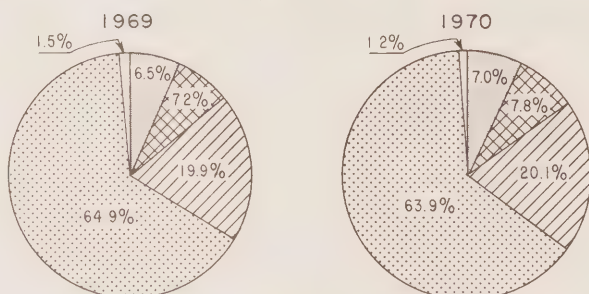
(FIRST SIX MONTHS)



EXPORTS



IMPORTS



In the first six months of 1970 the deficit on non-merchandise transactions rose by 6 per cent to \$1,009 million, equivalent to about 78 per cent of the merchandise trade surplus. Service transactions accounted for \$972 million, of this deficit and transfers for \$37 million. Total non-merchandise receipts increased by 14 per cent to \$2,007 million; the bulk of the receipts, about 90 per cent, was due to service transactions. Total payments went up by 11 per cent to \$3,016 million, of which some 90 per cent again came from service payments.

The increase in the deficit on services was more than accounted for by interest and dividend payments. Partly offsetting the widened deficit on interest and dividends and a small decrease in gold available for export, were improved balances on freight and shipping and other service transactions. The deficit on travel remained unchanged at \$273 million. The increase in travel receipts, though mainly accounted for by increased receipts from United States travellers in Canada, includes a rise of 38 per cent in receipts from overseas travellers, principally from the United Kingdom and Western Europe. This increase may reflect recent relaxations of the restrictions on foreign travel expenditures by overseas countries particularly the United Kingdom. Expenditures of Canadian travellers rose by 10 per cent due almost wholly to higher expenditures overseas, mainly in Europe and the Caribbean area. It should be noted that expenditures in 1969 were unusually high due to increased use of foreign airlines by Canadians during the Air Canada strike.

The net balance from receipts and payments of interest and dividends rose by about 22 per cent and moved from a deficit of \$416 million in the first half of 1969 to \$507 million in the corresponding period of 1970. Payments increased by \$124 million to \$740 million while income receipts rose by \$33 million. Increased profits of branch operations of foreign companies together with larger payments by Canadian subsidiaries to their parent companies in the United States were the main factors responsible for a rise of \$67 million in dividend payments. By far the greater part of this increase occurred in the first quarter of 1970, while the second quarter showed a more moderate rise of \$11 million.

As a result both of large sales in 1969 of new Canadian bond issues to non-residents at relatively high interest rates, interest payments continued to rise steadily, recording an increase of \$57 million in the first six months of 1970 over the same period of 1969. However the rate of increase slowed down in the second quarter and seemed to have been affected by a decline in market interest rates, which started during the first quarter of 1970. Geographically, more than four fifths of the interest payments in this period were to residents of United States.

The most significant contributor to the total increase in income receipts in the first half of 1970 was a \$28 million rise in the interest component. Most of this rise occurred in the second quarter reflecting higher earnings on official holdings of foreign exchange. (Interest on private holdings of foreign exchange is included with miscellaneous income.) The net balance of payments of interest and dividends accounted for about 50 per cent of the deficit on non-merchandise transactions, or about 5 percentage points lower than the corresponding proportion for 1969.

Interest and Dividends and Miscellaneous Income

Period	Receipts				
	Interest	Dividends	Sub-total	Miscellaneous income (1)	Grand total
millions of dollars					
1968	102	251	353	237	590
1969	161	253	414	433	847
1969 I Q	32	56	88	102	190
II Q	36	76	112	102	214
III Q	32	53	85	110	195
IV Q	61	68	129	119	248
1970 I Q	40	72	112	141	253
II Q	56	65	121	140	261
	Payments				
	Interest	Dividends	Sub-total	Miscellaneous income (1)	Grand total
1968	546	713	1,259	373	1,632
1969	649	696	1,345	459	1,804
1969 I Q	142	156	298	108	406
II Q	174	144	318	117	435
III Q	150	144	294	112	406
IV Q	183	252	435	122	557
1970 I Q	176	212	388	126	514
II Q	197	155	352	134	486

(1) In the main balance of payments tables, this is included in other service receipts and other service payments; it includes in addition to investment income, all services associated with international banking and insurance operations.

The freight and shipping account has moved in line with the improved surplus on merchandise trade. The quadrupling of the over-the-year trade surplus produced a swing of \$47 million in this account from a deficit of \$30 million in the first half of 1969 to a surplus of \$17 million in 1970.

The groups "other service receipts" and "other service payments" represent the largest single items in service transactions. Total receipts increased by 17 per cent to \$599 million and total payments rose by 11 per cent to \$859 million. With receipts and payments increasing by about the same amount in absolute terms, the deficit on this account was practically unchanged at \$260 million. Within the account however, there was an increased deficit on government transactions and on business services and an improved balance on miscellaneous income.

The surplus on transfers excluding official contributions, has remained unchanged at \$36 million. A slightly higher balance on migrants' funds was offset by increased net payments on personal and institutional remittances mainly to developing countries outside the sterling area.

Official contributions in the first six months of 1970 increased by 12 per cent to \$73 million from \$65 million in the corresponding period of 1969. About two fifths of this amount was disbursed under the international food aid program. The balance of the aid given was in the form of technical and economic assistance and cash grants.

Current Account Transactions in the Second Quarter - Seasonally Adjusted

After allowance for seasonal variations the current account surplus during the second quarter of 1970 widened by 17 per cent to \$309 million. As there was a slight decrease in the merchandise trade surplus to \$694 million the widening in the current account surplus was caused by the improvement in the balances of the non-merchandise items. The deficit on service transactions fell by 13 per cent to \$369 million the lowest such deficit since the third quarter of 1968. Transfer payments and

receipts resulted in a net deficit of \$16 million.

Merchandise exports and imports increased only fractionally from the first quarter, the former to \$4,266 million and the latter to \$3,572 million but there were significant changes in the service balances over the previous quarter. Net payments of interest and dividends decreased by \$50 million as a result of a sizeable drop in interest and dividend payments to \$368 million from the unusually high first quarter amount of \$419 million. This improvement was partially offset by the widening of \$20 million in the travel account due mainly to a 5 per cent increase in travel payments to \$352 million. A reduction in the "other service transactions" deficit of \$15 million and an increase in the surplus on the freight and shipping account, with its second successive surplus which rose by \$10 million, also contributed to the improvement in the service transactions balance. The deficit on the transfer items remained practically unchanged at \$16 million as a reduction of \$14 million in official contributions was offset by a reduction of \$15 million in the surplus on migrants' funds and personal and institutional remittances.

At \$21,148 million total exports of goods and services, seasonally adjusted at annual rates, represented over 25 per cent of gross national expenditure at market prices a ratio slightly below that in the first quarter. On the other hand, the contributions of the goods and services balance to this aggregate has increased.

Transactions by Areas

During the first half of 1970 the current account deficit with the United States declined by over 40 per cent to \$438 million from the corresponding period of 1969. An increase of 10 per cent in exports which climbed to \$5,620 million and a small rise of 3 per cent in imports which grew to \$5,248 million produced an increase of \$362 million over last year's trade surplus of \$10 million. However, the rate of growth in merchandise exports to the United States, at 10 per cent, was well below the 16 per cent growth rate which occurred in the same period last year. This, of course, has resulted from the reduced tempo of economic activity in the United States, within the content of strong anti-inflationary measures. Crude material exports to the United States increased by 25 per cent between the first six months of 1969 and 1970. While there were sizeable but smaller increases in the end products and food groups, exports of fabricated materials showed essentially no growth. Crude petroleum and natural gas exports were up by over \$95 million. Also among crude materials, shipments of iron ore were higher by \$56 million over the strike depressed exports in 1969. Exports of aircraft, fertilizers, nickel and wood pulp to the United States were higher while those of lumber, reflecting the downturn which occurred in the construction industry in the United States, were appreciably lower. Exports of motor vehicles and parts rose by about 15 per cent as the demand for the models produced by the Canadian automotive plants remained buoyant.

Among the invisibles with the United States, there were decreases in the freight and shipping deficit of \$26 million and of \$42 million in net travel payments, mainly as a result of a 16 per cent increase in travel receipts. However, with an increase of 20 per cent in interest and dividend payments the deficit rose by \$83 million.

If the credit representing gold production available for export in excluded, Canada's current account deficit with the United States in the second quarter of 1970 was \$129 million. Capital movements between the two countries produced a net inflow of \$553 million as long-term movements led to a net influx of \$162 million augmented by a short-term inflow of \$391 million. In sum these transactions with the United States gave rise to net receipts by Canada of \$424 million.

With the United Kingdom total receipts rose by 27 per cent to \$1,044 million while total payments increased by only 2.5 per cent to \$650 million. The balance on non-merchandise transactions was unchanged from the corresponding six month period of 1969 and the increase in the current account surplus, which more than doubled to \$394 million, was due entirely to the trade surplus which increased more than two-fold to \$381 million from \$176 million last year. While merchandise exports surged by almost 30 per cent to \$750 million, merchandise imports declined by 8 per cent to \$369 million. Largely because of a rebuilding of inventories in the United Kingdom which had been run down owing to strikes in Canada last year, and of better economic conditions conducive to higher imports, primary metal deliveries such as nickel, copper, aluminum and lead, were higher. The reduction in the second quarter of import deposit requirements from 40 per cent to 30 per cent provided further impetus for exports to the United Kingdom. This scheme was introduced for balance of payments reasons in the United Kingdom in December 1968.

With the Rest of the Sterling Area, the reversal of the current account balance from a deficit of \$53 million in the first half of 1969 to a surplus of \$65 million was the result of a swing in the

merchandise trade balance by \$119 million, to a surplus of \$70 million. Merchandise exports increased by 24 per cent to \$367 million while merchandise imports decreased by 14 per cent to \$297 million. There were increases in commodity exports to South Africa, Pakistan, Australia and Jamaica while exports to India declined mainly because of lower wheat shipments. On non-merchandise items, where the deficit balance has remained practically unchanged, the main changes were the deterioration of \$18 million in the travel and interest and dividend accounts and a decrease of \$11 million in official contributions.

With the OECD (Europe) group of countries the current account balance reversed from a deficit of \$77 million in the January-June period of 1969 to a surplus of \$92 million in 1970. The merchandise trade surplus widened to \$220 million with merchandise exports showing a sizeable increase of 33 per cent to \$770 million and merchandise imports advancing by about 5 per cent to \$550 million. More metals, woodpulp, aircraft and parts were exported to this economically buoyant market, with the largest increases in exports occurring in Belgium and Luxembourg, Netherlands, West Germany, Italy, Norway and Spain. The share of this market in total merchandise exports increased by over 1 percentage point to 9 per cent thus overtaking the United Kingdom share. Non-merchandise receipts increased by 34 per cent to \$181 million and payments increased by 17 per cent to \$309 million. Among the non-merchandise items, interest and dividend receipts increased by \$20 million while the travel deficit rose by \$13 million.

With Other Countries total current receipts rose by 38 per cent to \$1,135 million as against the 14 per cent increase to \$1,007 million in total current payments. The current account balance was thus reversed from a deficit of \$58 million in the first half of 1969 to a surplus of \$128 million in 1970. The increase in the merchandise trade balance which rose to \$258 million accounted for this improvement. Exports advanced by 37 per cent to \$954 million. On the other hand, merchandise imports increased by only 8 per cent, to produce a merchandise trade surplus nearly five times as high as that of last year. There were increased shipments of wheat, barley, metals, lumber, woodpulp, machinery, motor vehicles and parts. The U.S.S.R., South Africa, Japan, China, Argentina, Cuba and Mexico shared to a significant extent in the upsurge of exports. Increases in official contributions and in net "other service transactions" payments, amounting to about \$36 million, were partially offset by net increased receipts of \$16 million on freight and shipping.

Total current and capital account transactions by Canada with the United Kingdom and other overseas countries resulted in net receipts of \$331 million. Increased merchandise exports were the principal factor in pushing the current account surplus to \$349 million. Short-term capital movements swung about \$300 million to a net inflow of \$137 million mainly because of a reduction in foreign currency balances held overseas. A net outflow of \$155 million was recorded for capital movements in long-term forms reflecting in large part retirement of government debt held by Italy.

The \$755 million total of net receipts from the United States and overseas countries together with the gold production available for export of \$26 million resulted in a \$781 million increase in net official monetary assets.

Capital Movements

The net movement of capital between Canada and other countries in the second quarter gave rise to an inflow of \$535 million almost \$200 million above the first quarter level. The composition of the inflow changed dramatically. Capital movements in long-term forms totalled only \$7 million compared with \$655 million in the first quarter while there was a swing of \$830 million in short-term capital movements resulting in an inflow of \$528 million. With the sharp improvement in the current account balance there was a further sharp increase in Canada's net official monetary assets totalling \$781 million in the quarter under review.

Sales of Canadian new issues to non-residents at \$213 million, although down over \$300 million from the first quarter level, were again a prominent factor leading to net inflows. Inflows for direct investment in Canadian concerns declined slightly to \$165 million. The major element contributing to outflows was the tripling in retirements of Canadian securities to \$244 million. The retirement of the Canadian government lire debt was the principal factor in this increase. The effect of adjusting actual long-term capital inflows to reflect the timing of security offerings is given in the accompanying statement which shows that deliveries were in excess of offerings by \$85 million during the quarter. However the balance of offerings undelivered at the end of the quarter remained high at \$621 million.

Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
	millions of dollars	
1968	+ 1,654	+ 2,203
1969	+ 2,257	+ 2,118
1969 I Q	+ 560	+ 585
II Q	+ 532	+ 532
III Q	+ 596	+ 448
IV Q	+ 569	+ 553
1970 I Q	+ 655	+ 577
II Q	+ 7	- 78

The net inflow of \$528 million arising from capital movements in short-term forms in the second quarter more than reversed a net outflow of \$302 million in the first quarter. The most prominent transactions were net inflows of \$279 million and \$171 million in the "other short-term capital transactions" and the "finance company paper" categories, respectively.

The net spot holdings by Canadian chartered banks of foreign currency claims (excluding gold) on non-residents fell on a transactions basis by \$177 million in the quarter while those with Canadians rose by \$477 million to produce an overall increase of \$300 million.

Claims on residents of the United States rose by \$28 million while on residents of overseas countries they rose by a substantial \$356 million. Liabilities to these areas increased

by \$104 million and \$457 million respectively. Foreign currency claims on Canadians were increased by \$104 million while liabilities fell by \$373 million. The net increase of \$300 million in the Canadian banks' foreign currency assets reflected reductions in net assets of \$76 million and \$101 million with residents of the United States and overseas countries, respectively and an increase of \$477 million with Canadians. The overall effect of these transactions on the balance of payments is measured by the decline in the net asset position vis-a-vis non-residents which led to a net inflow of \$177 million. This figure cannot be identified separately in the balance of payments presentation in this report but forms elements of several of the items.

Direct Investment

Transactions with non-residents in the second quarter of 1970 led to a net increase in direct investment in foreign-controlled enterprises in Canada amounting to \$165 million - \$25 million lower than the figure recorded in the first quarter and \$75 million lower than the corresponding quarter of the previous year. United States investors accounted for about 85 per cent of the increase with the balance originating in the United Kingdom and Continental Europe. Refinancing of existing facilities, particularly in the petroleum industry, accounted for about 30 per cent of the recorded net increase. The petroleum industry received the major share of the net investment while the balance went mainly to the manufacturing industry.

Canadians increased their direct investments abroad during the quarter by \$20 million - down sharply from the exceptionally large net outflow of \$130 million recorded in the first quarter. Just over one half of this investment was in the United States with the balance evenly distributed between the United Kingdom, Continental Europe and other countries as a group. Canadian mining companies increased their investments abroad while firms in the manufacturing industry reduced their claims.

Security Transactions

International portfolio security transactions in the second quarter resulted in a net outflow of \$59 million, thereby reversing the pattern of a series of successive inflows dating back to the beginning of 1967. The capital outflow during the second quarter represented a substantial swing from the inflows of \$555 million in the first quarter of 1970, and \$417 million in the corresponding period in 1969, and was largely the result of a record level of retirements of Canadian securities held by non-residents coinciding with a sharp drop in new issues abroad of Canadian securities. The continuing decline on stock markets in Canada and the United States, which, during the second quarter saw stock price indexes reach their lowest point in many years, was also evident in international transactions as foreigners and Canadian residents reduced their net holdings of each others' equities.

Trading in outstanding Canadian securities gave rise to net purchases of \$109 million on gross trading of \$414 million, compared with no net movement of capital in the first quarter on gross trading of \$398 million. Transactions in outstanding bonds and debentures led to a net outflow of \$26 million which augmented the \$83 million net repurchase balance from trade in Canadian equities.

New Issues of Canadian Bonds Sold to
United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
millions of dollars			
1968	1,884	1,335	923
1969	1,149	1,288	784
1969 I Q	398	373	948
II Q	272	272	948
III Q	246	394	800
IV Q	233	249	784
1970 I Q	332	410	706
II Q	55	140	621

(1) At end of period.

Proceeds of \$213 million from new Canadian issues abroad were down 63 per cent from the first quarter figure of \$524 million. The sale abroad of provincial government bonds at \$58 million was especially reduced from levels prevalent in preceding quarters. These levels will probably not be reached again for a while due both to factors influencing foreign capital markets and the request by the Minister of Finance at a meeting of federal and provincial finance ministers early in June to refrain from obtaining funds outside Canada. Foreign security issues of municipalities and corporations were also notably lower than in the previous quarter. The proportion of total new financing of Canadian companies obtained abroad dropped to 5 per cent from some 27 per cent in the first quarter, as the differential between corporate bond yields in Canada and the United States

narrowed from a premium of approximately 50 basis points in Canada at the end of March to near parity by the end of June. A heavy calendar of new bond issues in the United States, possibly influenced by some movement of capital out of the short-term money market following the petition for re-organization of its affairs by the Penn Central Transportation Company, resulted in bond yields in the United States increasing while those in Canada remained relatively stable. In contrast with the previous two years, when Germany became a major supplier of foreign capital, less than 5 per cent of new Canadian issues abroad in the second quarter came from West Germany, while the United States supplied 73 per cent and the United Kingdom 17 per cent.

The large increase in retirements of Canadian securities during the quarter represented mainly the redemption of an Italian currency note issued by the federal government in 1968 to increase foreign currency reserves. (A tranche of about one third was retired on maturity in May, while the remaining two tranches were retired in June well ahead of their maturity dates.) Retirements of provincial government bonds were also considerably higher than in previous periods, while those of municipalities and corporations were near the levels existing in the second quarter of 1969.

Capital inflows of \$81 million from foreign security transactions were in effect wholly accounted for by trading in outstanding issues. Although 30 per cent lower than in the first quarter, the net inflow during the second quarter continued to be unusually high by historical standards on considerably reduced turnover, reflecting the current depressed state of equity markets generally. New issues of foreign securities sold in Canada and retirements of foreign securities held by Canadians gave rise to offsetting capital movements of \$3 million each, compared with new issues of \$3 million and retirements of \$2 million in the first quarter.

Other Capital Flows in Long-Term Forms

Disbursements by the Canadian Government under intergovernmental loan programs rose almost \$10 million to over \$30 million in the second quarter of 1970 - all under the development loan program. Geographically more than 85 per cent of the disbursements went to Commonwealth countries in Asia. In addition Canada made a subscription of \$27 million to an international investment agency. Repayments of principal on intergovernmental loans outstanding under earlier programs amounted to almost \$7 million.

Transactions during the quarter arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government led to a net capital outflow of \$33 million a swing of \$44 million from the preceding quarter's net repayment balance of \$11 million. This result was due both to increased advances by Canada and to declining repayments by recipient countries. Higher advances for the purchase of wheat by Sino-Soviet countries and the purchase of other commodities by Commonwealth countries were responsible for the greater part of the increase.

Export Credits(1) Extended Directly or Indirectly at Risk of the Government of Canada

Year and quarter	Wheat			Other commodities			Total
	Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net	
millions of dollars							
1968	- 145	+ 217	+ 72	- 88	+ 45	- 43	+ 29
1969	- 101	+ 119	+ 18	- 76	+ 49	- 27	- 9
1969 I Q	- 25	+ 20	- 5	- 20	+ 12	- 8	- 13
II Q	- 39	+ 15	- 24	- 17	+ 11	- 6	- 30
III Q	- 18	+ 32	+ 14	- 22	+ 15	- 7	+ 7
IV Q	- 19	+ 52	+ 33	- 17	+ 11	- 6	+ 27
1970 I Q	- 29	+ 40	+ 11	- 17	+ 17	-	+ 11
II Q	- 41	+ 26	- 15	- 32	+ 14	- 18	- 33

(1) Medium and long-term.

The remaining capital movements in long-term forms, which include bank and other long-term loans, mortgage investments and movements of insurance funds, led to a net inflow of \$6 million compared with a much higher inflow of \$55 million in the first quarter of 1970.

Capital Movements in Short-term Forms

Non-resident holdings of Canadian dollar deposits rose by \$36 million in the second quarter. Residents of the United States and the United Kingdom increased their holdings by \$22 million and \$16 million, respectively while those of all other countries declined by \$2 million. Government of Canada demand liabilities in the form of interest free demand notes issued to international investment agencies increased by \$27 million in the second quarter of 1970.

A decrease by Canadian residents of their holdings of foreign currency bank balances and other short-term funds abroad held through the Canadian chartered banks was more than offset by continued large outflows to build up balances held directly abroad in foreign banks. These movements together resulted in a net capital outflow of \$13 million for the quarter. Net outflows to the United States and the United Kingdom amounted to \$99 million and \$95 million, respectively while net inflows of \$181 million occurred from all other countries. Canadian holdings of swapped deposits declined in the quarter by about \$330 million to \$1,284 million after reaching \$1,728 million on January 21, 1970.

Foreign participation in the Canadian money market increased substantially during the second quarter. The volume of transactions in finance company paper was up by 76 per cent, exceeding \$1 1/2 billion, and led to a net inflow of \$171 million. Turnover in treasury bills and other types of paper was also high, but comparable with first quarter levels, resulting in moderate net capital outflows. Non-residents reduced their holdings of Government of Canada treasury bills by \$6 million, while international transactions in commercial paper led to a net outflow of \$7 million and exactly offset the net inflow from transactions in this class of security in the first quarter. Other short-term paper, including notes of banks, mortgage loan companies, and municipal and provincial governments, attracted a net outflow of \$13 million, compared with a net outflow of \$1 million in the first quarter of 1970 and a net inflow of \$24 million in the fourth quarter of 1969.

Yields on most types of paper were lower in Canada than in the United States on an unhedged basis, but a substantial premium on the forward Canadian dollar provided an incentive to the movement of arbitrage capital, and appears to have had an effect on investment by United States residents in Canadian dollar denominated paper mainly of subsidiaries of United States finance companies. The premium on the forward Canadian dollar, calculated as the average spread between spot and forward noon rates for the month as a whole, stood at 140 basis points in June, more than off-setting the differential between Canadian and United States treasury bills which reached a maximum of 98 basis points in May, expressed on the basis of average monthly yields.

Foreign exchange transactions by the authorities in April and May to keep the Canadian dollar within its pegged limits required large amounts of Canadian currency, resulting in a considerable increase in the volume of treasury bills outstanding during the quarter. With some easing of monetary policy signalled by successive reductions in the bank rate from 8 per cent to 7 1/2 per cent and subsequently to 7 per cent, yields on 90-day treasury bills fell fairly steadily from a high of 7.02 per cent in the first week in April to 5.84 per cent in June, before rising slightly at the end of the quarter to 5.94 per cent.

There was an increase in non-resident claims on Canadian finance companies in the form of bank loans and inter-company accounts totalling \$69 million in the second quarter. All other transactions led to a net capital inflow of \$279 million. Identified items indicate that substantial inflows arose from a jump in short-term bank loans obtained by Canadian residents and an increase in inter-company accounts payable. A rise in accounts receivable produced the most prominent outflow. About two fifths of the overall net inflow represented amounts which have not yet been identified.

Official International Monetary Assets and Liabilities

On May 31, 1970 the Minister of Finance announced that the Canadian authorities would no longer peg the Canadian dollar to within one per cent of its par value of 92 1/2 U.S. cents. A resumption of Canada's obligations under the Articles of Agreement of the International Monetary Fund would be undertaken as soon as circumstances permitted.

In explaining this decision the Minister noted the extremely strong position of the Canadian dollar in the exchange market since the beginning of 1970. He announced that the over-all official reserve position had risen during the past five months by more than US \$1,200 million, not including the allocation of Special Drawing Rights. The reserves had been increasing at an accelerating rate. In the first quarter they rose by US \$367 million (excluding the allocation of US \$124.3 million of Special Drawing Rights on January 1, 1970). In April they rose by US \$225 million. In May the official reserves rose by US \$262 million, and in addition, as a result of swaps and forward transactions, US \$360 million had been acquired for future delivery, for a total increase of US \$622 million.

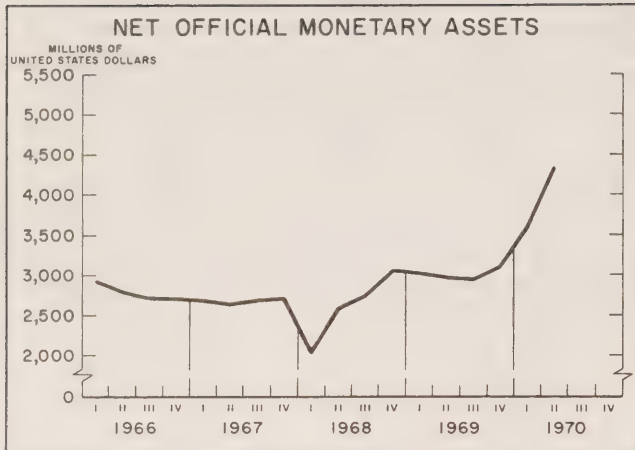
These reserve increases resulted from the strong current merchandise trade surplus that developed in the early months of this year and from the continuing heavy inflow of funds arising from long-term borrowing by Canadians in foreign capital markets particularly in the first quarter. The large outflow of short-term capital which had sharply limited the increase in the official reserves last year did not continue in 1970 as certain important short-term interest rates abroad declined and the emerging premium on the forward Canadian dollar encouraged a net inflow of short-term funds.

The accumulation of reserves in 1970 had greatly increased the cash requirements of the Government of Canada. The government's cash balances were substantially reduced, and an additional \$250 million was acquired by the sale in mid-May of a special issue of treasury bills in order to provide additional resources to the Exchange Fund.

The Minister emphasized that the rate of accumulation of reserves had been accelerating steadily throughout the year. If this trend had continued, Canada's official reserves would have risen rapidly to levels far in excess of Canada's needs. Large-scale speculative buying of Canadian dollars would have been encouraged, with disruptive effects upon the international payments system, and with large windfall profits for speculators.

It was noted that any appreciation of the Canadian dollar for any extended period of time, without offsetting measures, would however tend to have a further restraining effect on the economy. This, the Minister emphasized, would not be appropriate in present circumstances. The Exchange Fund would therefore stand ready to maintain orderly conditions in the exchange market and to operate for the time being to moderate any appreciation of the Canadian dollar. The Minister further stated that the government was reviewing its general economic and financial policies in these changed circumstances. In this connection, he noted with approval the concurrent announcement by the Bank of Canada of a reduction in Bank Rate from 7 1/2 per cent to 7 per cent.

In the second quarter as a whole holdings of United States dollars and other convertible currencies increased by US \$713 million and US \$3 million to levels of US \$2,770 million and US \$17 million respectively. Both the magnitude of the increase and the level of holdings in United States dollars surpassed all other previous quarters.



Canada's reserve position with the International Monetary Fund totalled US \$523 million at the end of June, an increase of US \$8 million for the quarter. Drawings of Canadian dollars accounted for US \$30 million while repayments in Canadian dollars by foreign countries of previous drawings amounted to US \$22 million in the quarter.

Holdings of Special Drawing Rights increased by US \$10 million to the equivalent of US \$143 million at the end of the quarter. Changes in these holdings can arise from annual allocations, transactions with other holders and earnings on net IMF position.

The total of the above transactions provided for an overall increase in Canada's net official monetary assets in the second quarter expressed in Canadian dollars of a record \$781 million.

As noted above the freeing of the Canadian dollar from a fixed value in terms of other currencies followed more than six months of strong upward pressure in the foreign exchange market. Spot Canadian dollars had been on or near the effective ceiling of about 107.25 Canadian cents for one United States dollar since last December. The forward rate moved to a premium in April indicating that in this section of the market some appreciation beyond the one per cent limit was anticipated. The spot rate for the Canadian dollar closed the quarter at 103.44 cents for US \$1.00. During the month of June the Canadian dollar traded in a range between 102.56 and 104.69 cents for US \$1.00.

United States Dollar in Canada

Period	High	Low	Close	Noon average
Canadian cents				
1968	109.00	107.25	107.28	107.75
1969	108.25	107.25	107.28	107.68
1969 I Q	107.84	107.25	107.66	107.46
II Q	108.16	107.50	108.09	107.76
III Q	108.25	107.66	107.91	107.90
IV Q	108.06	107.28	107.28	107.60
1970 I Q	107.38	107.25	107.25	107.28
II Q	107.47	102.56	103.44	106.10
April	107.34	107.25	107.25	107.28
May	107.47	107.25	107.44	107.28
June	104.69	102.56	103.44	103.84

Pound Sterling in Canada

High	Low	Close	Noon average
Canadian cents			
262.63	255.25	255.82	257.94
258.89	255.72	257.55	257.39
258.05	255.72	257.82	256.83
258.62	256.32	258.52	257.53
258.89	256.38	257.17	257.54
258.27	257.25	257.55	257.65
258.42	257.26	258.11	257.86
258.33	246.03	247.76	254.92
258.33	257.98	258.03	258.13
258.20	257.45	257.99	257.90
251.04	246.03	247.76	249.00

Revisions

This publication, as is usual in the second quarter report of each year, contains revisions to the data for the previous two years. The largest current account revisions have been made in the items "other service receipts and payments". The bulk of the changes on this account has been due to revisions to the data on miscellaneous income and business services and other transactions, including special tooling charges by the automotive industry, trade union funds and expenditures of branch offices abroad. Revisions made to the miscellaneous income figures were caused mainly by some additional information and certain refinements of the existing statistical series on profits of insurance companies and banking revenues.

Principal changes in the capital account for both 1968 and 1969 were concentrated in capital movements in long-term forms. Additional outflows in 1968 were recorded for Canadian direct investment abroad and retirements of Canadian securities. The largest movement, however, was the swing of \$224 million in "other long-term capital transactions" to an inflow of \$182 million. Revisions to 1969 data were also concentrated in long-term capital movements but were of a smaller magnitude than in the previous year.

Technical Note — Conversion Procedures

In the light of the changed exchange arrangements it may be useful to set out the procedures followed in constructing these estimates. In general the flows involve conversion of transactions in foreign currencies into Canadian dollar equivalents at noon average exchange rates for the appropriate month or quarter. This, for example, is the treatment followed in the case of the United States dollar proceeds of a bond issue. Where flows are derived from changes in outstanding balances which are expressed in Canadian dollars but are in reality foreign currency claims (as, for example, foreign currency banking data), the procedure is to reconvert the balances to foreign currency, normally US dollars, at the exchange rate for the close of the day to which they pertain. The changes (expressed in foreign currency) between periods are then reconverted at the relevant noon average exchange rate for the periods covered. These practices have been followed for many years but were of less consequence during the period of fixed exchange parities.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1)

Current Account

Line No.	Acct. No.	Item	1968				1969	
			I	II	III	IV	I	II
			millions of dollars					
	A	<u>Current receipts</u>						
1	1	Merchandise exports (adjusted)(2)	3,017	3,532	3,321	3,667	3,467	3,809
		Service receipts						
2	3	Gold production available for export	33	27	32	28	31	28
3	4	Travel	81	230	539	128	86	250
4	5	Interest and dividends	67	82	82	122	88	112
5	6	Freight and shipping	191	226	236	238	203	241
6	(part)11	Other service receipts	208	213	210	209	253	260
7		Total service receipts	580	778	1,099	725	661	891
8		Sub-totals, exports of goods and services	3,597	4,310	4,420	4,392	4,128	4,700
		Transfer receipts						
9	7	Inheritances and immigrants' funds	55	99	131	85	62	100
10	(part)11	Personal and institutional remittances(3)	23	24	24	24	22	23
11	12	Total current receipts	3,675	4,433	4,575	4,501	4,212	4,823
	B	<u>Current payments</u>						
12	1	Merchandise imports (adjusted)(2)	2,754	3,140	2,859	3,409	3,226	3,706
		Service payments						
13	4	Travel	216	246	375	171	268	341
14	5	Interest and dividends	280	304	288	387	298	318
15	6	Freight and shipping	194	240	244	253	207	267
16	(part)11	Other service payments	358	359	354	370	385	390
17		Total service payments	1,048	1,149	1,261	1,181	1,158	1,316
18		Sub-totals, imports of goods and services	3,802	4,289	4,120	4,590	4,384	5,022
		Transfer payments						
19	7	Inheritances and emigrants' funds	48	53	56	52	40	44
20	(part)11	Personal and institutional remittances(3)	38	36	36	38	45	42
21	9	Official contributions	14	40	50	29	16	49
22	12	Total current payments	3,902	4,418	4,262	4,709	4,485	5,157
	C	<u>Current account balance</u>						
23	1	Merchandise trade	+ 263	+ 392	+ 462	+ 258	+ 241	+ 103
		Service transactions						
24		Gold production available for export	+ 33	+ 27	+ 32	+ 28	+ 31	+ 28
25		Travel	- 135	- 16	+ 164	- 43	- 182	- 91
26		Interest and dividends	- 213	- 222	- 206	- 265	- 210	- 206
27		Freight and shipping	- 3	- 14	- 8	- 15	- 4	- 26
28		Other service transactions	- 150	- 146	- 144	- 161	- 132	- 130
29		Balance on service transactions	- 468	- 371	- 162	- 456	- 497	- 425
30		Balance on goods and services	- 205	+ 21	+ 300	- 198	- 256	- 322
31		Net transfers	- 22	- 6	+ 13	- 10	- 17	- 12
32	4	Total current account balance	- 227	+ 15	+ 313	- 208	- 273	- 334

(1) Data for 1968 are mostly final, those for 1969 and 1970 are preliminary.

(2) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments - see Table 6.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1)

Current Account

1969		1970				1968	1969	Four quarters ended II Q 1970	Acct. No.	Line No.
III	IV	I	II	III	IV					
millions of dollars										
3,545	4,053	3,936	4,525			13,537	14,874	16,059	A 1	1
27	22	25	26			120	108	100	3	2
581	157	107	292			978	1,074	1,137	4	3
85	129	112	121			353	414	447	5	4
235	257	234	270			891	936	996	6	5
268	281	296	303			840	1,062	1,148	(part)11	6
1,196	846	774	1,012			3,182	3,594	3,828		7
4,741	4,899	4,710	5,537			16,719	18,468	19,887		8
109	92	72	101			370	363	374	7	9
23	23	24	24			95	91	94	(part)11	10
4,873	5,014	4,806	5,662			17,184	18,922	20,355	12	11
3,303	3,752	3,303	3,862			12,162	13,987	14,220	B 1	12
476	207	299	373			1,008	1,292	1,355	4	13
294	435	388	352			1,259	1,345	1,469	5	14
251	266	225	262			931	991	1,004	6	15
397	416	431	428			1,441	1,588	1,672	(part)11	16
1,418	1,324	1,343	1,415			4,639	5,216	5,500		17
4,721	5,076	4,646	5,277			16,801	19,203	19,720		18
58	52	42	49			209	194	201	7	19
42	43	46	48			148	172	179	(part)11	20
46	33	31	42			133	144	152	9	21
4,867	5,204	4,765	5,416			17,291	19,713	20,252	12	22
+ 242	+ 301	+ 633	+ 663			+ 1,375	+ 887	+ 1,839	C 1	23
+ 27	+ 22	+ 25	+ 26			+ 120	+ 108	+ 100		24
+ 105	- 50	- 192	- 81			- 30	- 218	- 218		25
- 209	- 306	- 276	- 231			- 906	- 931	- 1,022		26
- 16	- 9	+ 9	+ 8			- 40	- 55	- 8		27
- 129	- 135	- 135	- 125			- 601	- 526	- 524		28
- 222	- 478	- 569	- 403			- 1,457	- 1,622	- 1,672		29
+ 20	- 177	+ 64	+ 260			- 82	- 735	+ 167		30
- 14	- 13	- 23	- 14			- 25	- 56	- 64		31
+ 6	- 190	+ 41	+ 246			- 107	- 791	+ 103	4	32

(3) Personal and institutional remittances include pension payments. Prior to 1 Quarter 1970 publications, the total of this line was included in "all other current" transactions.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1) - Concluded

Capital Account(4)

Line No.	Acct. No.	Item	1968				1969	
			I	II	III	IV	I	II
			millions of dollars					
	D	Direct investment(5)						
33	1	In Canada	+ 53	+ 225	+ 137	+ 175	+ 156	+ 233
34	2	Abroad	- 88	- 6	- 20	- 111	- 52	- 103
		Portfolio transactions						
		Canadian securities						
35	3.1	Outstanding bonds	- 53	- 11	- 13	+ 7	+ 17	- 6
36	3.2	Outstanding stocks	+ 16	+ 34	+ 10	+ 54	+ 37	+ 44
37	4	New issues	+ 403	+ 708	+ 440	+ 366	+ 616	+ 516
38	5	Retirements	- 139	- 135	- 39	- 118	- 84	- 124
		Foreign securities						
39	6	Outstanding issues	- 72	- 125	- 118	- 105	- 50	- 6
40	7	New issues	- 23	- 10	- 15	- 29	- 11	- 21
41	8	Retirements	+ 10	+ 9	+ 3	+ 8	+ 11	+ 19
		Loans and subscriptions - Government of Canada						
42	9	Advances	- 10	- 8	- 16	- 44	- 11	- 43
43	10	Repayments	+ 2	+ 2	+ 1	-	-	+ 2
44	11	Columbia River Treaty	-	-	-	+ 88	-	-
45	12	Export credits directly or indirectly at risk of the Government of Canada	+ 45	+ 8	- 9	- 15	- 13	- 30
46	13	Other long-term capital transactions	+ 21	+ 58	+ 12	+ 91	- 56	+ 51
47	E 1	Balance of capital movements in long-term forms (lines 33-46)	+ 165	+ 749	+ 373	+ 367	+ 560	+ 532
48	D 17.1	Resident holdings of foreign bank balances and other short-term funds abroad	- 99	+ 10	- 170	- 142	- 156	- 568
		Non-resident holdings of Canadian:						
49	14.1	Dollar deposits	+ 8	+ 4	+ 4	+ 54	- 11	+ 25
50	14.2	Government demand liabilities	- 4	- 3	+ 1	+ 27	- 2	- 30
51	14.3	Treasury bills	+ 23	+ 1	+ 11	+ 13	+ 13	- 10
52	17.2a	Commercial paper	-	-	+ 2	- 1	- 1	+ 23
53	17.3	Finance company paper	- 60	- 35	- 37	-	+ 159	+ 71
54	17.2b	Other short-term paper	+ 7	- 17	- 1	+ 9	- 2	- 21
55	17.4	Other finance company obligations	- 6	- 7	- 2	+ 34	+ 23	+ 28
56	17.5	Other short-term capital transactions(6)	- 571	- 97	- 332	+ 178	- 348	+ 230
57	E 2	Balance of capital movements in short-term forms (lines 48-56)	- 702	- 144	- 524	+ 172	- 325	- 252
58	E 3	Total net capital balance	- 537	+ 605	- 151	+ 539	+ 235	+ 280
59		Allocation of Special Drawing Rights .....	...	...	...	...	...	...
	H	Net official monetary movements(7):						
60	4	Official international reserves	- 495	+ 486	+ 28	+ 331	- 38	- 54
61	5	Official monetary liabilities	- 269	+ 134	+ 134	-	-	-
62	6	Net official monetary assets	- 764	+ 620	+ 162	+ 331	- 38	- 54

(4) A minus sign in Accounts D and E equals an outflow of capital from Canada and represents an increase in holdings of assets abroad or a reduction in liabilities to non-residents.

(5) Exclusive of undistributed profits.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1) - Concluded

Capital Account(4)

1969		1970				1968	1969	Four quarters ended 11 Q 1970	Acct. No.	Line No.
III	IV	I	II	III	IV					
millions of dollars										
									D	
+ 79	+ 187	+ 190	+ 165			+ 590	+ 655	+ 621	1	33
- 25	- 75	- 130	- 20			- 225	- 255	- 250	2	34
- 12	+ 3	+ 4	- 26			- 70	+ 2	- 31	3.1	35
- 4	- 24	- 4	- 83			+ 114	+ 53	- 115	3.2	36
+ 565	+ 370	+ 524	+ 213			+ 1,917	+ 2,067	+ 1,672	4	37
- 53	- 135	- 86	- 244			- 431	- 396	- 518	5	38
+ 65	+ 105	+ 116	+ 81			- 420	+ 114	+ 367	6	39
- 5	- 6	- 3	- 3			- 77	- 43	- 17	7	40
+ 2	+ 3	+ 2	+ 3			+ 30	+ 35	+ 10	8	41
- 15	- 20	- 25	- 59			- 78	- 89	- 119	9	42
-	+ 20	-	+ 7			+ 5	+ 22	+ 27	10	43
-	+ 32	-	-			+ 88	+ 32	+ 32	11	44
+ 7	+ 27	+ 12	- 33			+ 29	- 9	+ 13	12	45
- 8	+ 82	+ 55	+ 6			+ 182	+ 69	+ 135	13	46
+ 596	+ 559	+ 655	+ 7			+ 1,654	+ 2,257	+ 1,827	E 1	47
- 621	- 259	+ 209	- 13			- 401	- 1,604	- 684	D 17.1	48
- 4	+ 50	+ 31	+ 36			+ 70	+ 60	+ 113	14.1	49
+ 1	- 3	- 2	+ 27			+ 21	- 34	+ 23	14.2	50
+ 13	+ 19	+ 6	- 6			+ 48	+ 35	+ 32	14.3	51
- 15	+ 35	+ 7	- 7			+ 1	+ 42	+ 20	17.2a	52
- 71	+ 17	- 76	+ 171			- 132	+ 176	+ 41	17.3	53
- 5	+ 25	- 1	- 28			- 2	- 3	- 9	17.2b	54
+ 3	+ 62	- 34	+ 69			+ 19	+ 116	+ 100	17.4	55
+ 92	- 163	- 442	+ 279			- 822	- 189	- 234	17.5	56
- 607	- 217	- 302	+ 528			- 1,198	- 1,401	- 598	E 2	57
- 11	+ 352	+ 353	+ 535			+ 456	+ 856	+ 1,229	E 3	58
...	...	+ 133	-			...	...	+ 133		59
- 5	+ 162	+ 527	+ 781			+ 350	+ 65	+ 1,465	H 4	60
-	-	-	-			- 1	-	-	5	61
- 5	+ 162	+ 527	+ 781			+ 349	+ 65	+ 1,465	6	62

(6) Includes balancing item representing difference between direct measures of current and capital accounts and embodies errors and omissions from both accounts.

(7) For detailed composition of official monetary assets see Table 4.

... Not applicable.

TABLE 2. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Current Account - Seasonally Adjusted

Line No.	Acct. No.	Item	1968			
			I	II	III	IV
			millions of dollars			
	A	<u>Current receipts</u>				
1	1	Merchandise exports (adjusted)(1)	3,240	3,348	3,389	3,560
		Service receipts				
2	3	Gold production available for export	32	27	31	30
3	4	Travel	242	252	246	238
4	5	Interest and dividends	72	86	100	95
5	6	Freight and shipping	217	221	225	228
6	(part)11	Other service receipts	205	209	211	215
7		Total service receipts	768	795	813	806
8		Sub-totals, exports of goods and services	4,008	4,143	4,202	4,366
		Transfer receipts				
9	7	Inheritances and immigrants' funds	78	91	108	93
10	(part)11	Personal and institutional remittances(2)	23	24	24	24
11	12	Total current receipts	4,109	4,258	4,334	4,483
	B	<u>Current payments</u>				
12	1	Merchandise imports (adjusted)(1)	2,965	2,912	3,008	3,277
		Service payments				
13	4	Travel	246	231	269	262
14	5	Interest and dividends	304	322	325	308
15	6	Freight and shipping	227	230	231	243
16	(part)11	Other service payments	354	353	356	378
17		Total service payments	1,131	1,136	1,181	1,191
18		Sub-totals, imports of goods and services	4,096	4,048	4,189	4,468
		Transfer payments				
19	7	Inheritances and emigrants' funds	57	56	47	49
20	(part)11	Personal and institutional remittances(2)	36	35	37	40
21	9	Official contributions	25	30	41	37
22	12	Total current payments	4,214	4,169	4,314	4,594
	C	<u>Current account balance</u>				
23	1	Merchandise trade	+ 275	+ 436	+ 381	+ 283
		Service transactions				
24		Gold production available for export	+ 32	+ 27	+ 31	+ 30
25		Travel	- 4	+ 21	- 23	- 24
26		Interest and dividends	- 232	- 236	- 225	- 213
27		Freight and shipping	- 10	- 9	- 6	- 15
28		Other service transactions	- 149	- 144	- 145	- 163
29		Total service transactions	- 363	- 341	- 368	- 385
30		Balance on goods and services	- 88	+ 95	+ 13	- 102
31		Net transfers	- 17	- 6	+ 7	- 9
32	4	Total current account balance	- 105	+ 89	+ 20	- 111

(1) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments.

TABLE 2. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Current Account - Seasonally Adjusted

1969				1970				Acct. No.	Line No.
I	II	III	IV	I	II	III	IV		
millions of dollars									
								A	
3,718	3,614	3,637	3,905	4,263	4,266			1	1
30	28	27	23	24	26			3	2
255	268	263	288	317	314			4	3
97	115	103	99	124	123			5	4
230	235	225	246	264	264			6	5
248	252	271	291	288	294			(part)11	6
860	898	889	947	1,017	1,021				7
4,578	4,512	4,526	4,852	5,280	5,287				8
88	90	86	99	100	91			7	9
22	23	23	23	25	24			(part)11	10
4,688	4,625	4,635	4,974	5,405	5,402			12	11
								B	
3,483	3,422	3,468	3,614	3,558	3,572			1	12
304	323	343	322	335	352			4	13
325	335	333	352	419	368			5	14
241	256	239	255	261	251			6	15
380	382	401	425	428	419			(part)11	16
1,250	1,296	1,316	1,354	1,443	1,390				17
4,733	4,718	4,784	4,968	5,001	4,962				18
48	48	49	49	51	53			7	19
43	41	43	45	44	47			(part)11	20
29	37	38	40	45	31			9	21
4,853	4,844	4,914	5,102	5,141	5,093			12	22
								C	
+ 235	+ 192	+ 169	+ 291	+ 705	+ 694			1	23
+ 30	+ 28	+ 27	+ 23	+ 24	+ 26				24
- 49	- 55	- 80	- 34	- 18	- 38				25
- 228	- 220	- 230	- 253	- 295	- 245				26
- 11	- 21	- 14	- 9	+ 3	+ 13				27
- 132	- 130	- 130	- 134	- 140	- 125				28
- 390	- 398	- 427	- 407	- 426	- 369				29
- 155	- 206	- 258	- 116	+ 279	+ 325				30
- 10	- 13	- 21	- 12	- 15	- 16				31
- 165	- 219	- 279	- 128	+ 264	+ 309			4	32

(2) Personal and institutional remittances include pension payments. Prior to I Quarter 1970 publications, the total of this line was included in "all other current" transactions.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

By Area

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of dollars					
	<u>United States</u>						
1	Merchandise exports (adjusted)	2,053	2,352	2,179	2,532	2,459	2,666
2	Non-merchandise receipts(1,4)	378	573	891	511	437	634
3	Total current receipts	2,431	2,925	3,070	3,043	2,896	3,300
4	Merchandise imports (adjusted)	2,076	2,307	2,019	2,465	2,450	2,665
5	Non-merchandise payments(1)	803	894	932	894	874	982
6	Total current payments	2,879	3,201	2,951	3,359	3,324	3,647
	Balance						
7	Merchandise trade	- 23	+ 45	+ 160	+ 67	+ 9	+ 1
8	Non-merchandise trade	- 425	- 321	- 41	- 383	- 437	- 348
9	Current account balance	- 448	- 276	+ 119	- 316	- 428	- 347
	Capital movements(2)						
10	In long-term forms	+ 127	+ 385	+ 281	+ 341	+ 376	+ 357
11	In short-term forms	- 548	- 239	- 713	+ 230	- 151	+ 286
12	Total net capital balance	- 421	+ 146	- 432	+ 571	+ 225	+ 643
	<u>United Kingdom</u>						
13	Merchandise exports (adjusted)	295	319	323	303	289	290
14	Non-merchandise receipts(1)	86	99	102	93	112	132
15	Total current receipts	381	418	425	396	401	422
16	Merchandise imports (adjusted)	160	180	161	181	172	231
17	Non-merchandise payments(1)	97	108	149	118	101	130
18	Total current payments	257	288	310	299	273	361
	Balance						
19	Merchandise trade	+ 135	+ 139	+ 162	+ 122	+ 117	+ 59
20	Non-merchandise trade	- 11	- 9	- 47	- 25	+ 11	+ 2
21	Current account balance	+ 124	+ 130	+ 115	+ 97	+ 128	+ 61
	Capital movements(2)						
22	In long-term forms	+ 7	+ 47	- 24	+ 37	+ 10	+ 11
23	In short-term forms	- 178	- 88	- 26	- 125	- 348	- 654
24	Total net capital balance	- 171	- 41	- 50	- 88	- 338	- 643
	<u>Rest of the Sterling Area</u>						
25	Merchandise exports (adjusted)	134	167	165	149	142	155
26	Non-merchandise receipts(1)	45	58	70	62	49	67
27	Total current receipts	179	225	235	211	191	222
28	Merchandise imports (adjusted)	77	110	130	140	95	151
29	Non-merchandise payments(1)	38	59	54	45	48	72
30	Total current payments	115	169	184	185	143	223
	Balance						
31	Merchandise trade	+ 57	+ 57	+ 35	+ 9	+ 47	+ 4
32	Non-merchandise trade	+ 7	- 1	+ 16	+ 17	+ 1	- 5
33	Current account balance	+ 64	+ 56	+ 51	+ 26	+ 48	- 1

See footnotes at the end of table.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

By Area

1969		1970				1968	1969	Four quarters ended 11Q 1970	No.
III	IV	I	II	III	IV				
millions of dollars									
2,436	2,938	2,639	2,981			9,116	10,499	10,994	1
925	577	487	692			2,353	2,573	2,681	2
3,361	3,515	3,126	3,673			11,469	13,072	13,675	3
2,281	2,707	2,462	2,786			8,867	10,103	10,236	4
1,012	979	973	1,016			3,523	3,847	3,980	5
3,293	3,686	3,435	3,802			12,390	13,950	14,216	6
+ 155	+ 231	+ 177	+ 195			+ 249	+ 396	+ 758	7
- 87	- 402	- 486	- 324			- 1,170	- 1,274	- 1,299	8
+ 68	- 171	- 309	- 129			- 921	- 878	- 541	9
+ 467	+ 405	+ 564	+ 162			+ 1,134	+ 1,605	+ 1,598	10
- 494	- 141	- 125	+ 391			- 1,270	- 500	- 369	11
- 27	+ 264	+ 439	+ 553			- 136	+ 1,105	+ 1,229	12
272	269	335	415			1,240	1,120	1,291	13
139	147	140	154			380	530	580	14
411	416	475	569			1,620	1,650	1,871	15
203	180	168	201			682	786	752	16
171	125	124	157			472	527	577	17
374	305	292	358			1,154	1,313	1,329	18
+ 69	+ 89	+ 167	+ 214			+ 558	+ 334	+ 539	19
- 32	+ 22	+ 16	- 3			- 92	+ 3	+ 3	20
+ 37	+ 111	+ 183	+ 211			+ 466	+ 337	+ 542	21
- 24	+ 59	+ 69	+ 54			+ 67	+ 56	+ 158	22
- 275	- 76	- 66	- 64			- 417	- 1,353	- 481	23
- 299	- 17	+ 3	- 10			- 350	- 1,297	- 323	24
165	156	181	186			615	618	688	25
75	66	57	64			235	257	262	26
240	222	238	250			850	875	950	27
168	173	108	189			457	587	638	28
56	54	63	63			196	230	236	29
224	227	171	252			653	817	874	30
- 3	- 17	+ 73	- 3			+ 158	+ 31	+ 50	31
+ 19	+ 12	- 6	+ 1			+ 39	+ 27	+ 26	32
+ 16	- 5	+ 67	- 2			+ 197	+ 58	+ 76	33

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

By Area

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of dollars					
	<u>Other OECD (Europe)(3)</u>						
34	Merchandise exports (adjusted)	203	269	283	296	263	315
35	Non-merchandise receipts(1)	57	77	74	66	56	79
36	Total current receipts	260	346	357	362	319	394
37	Merchandise imports (adjusted)	181	240	235	285	214	311
38	Non-merchandise payments(1)	121	126	163	129	121	144
39	Total current payments	302	366	398	414	335	455
	Balance						
40	Merchandise trade	+ 22	+ 29	+ 48	+ 11	+ 49	+ 4
41	Non-merchandise trade	- 64	- 49	- 89	- 63	- 65	- 65
42	Current account balance	- 42	- 20	- 41	- 52	- 16	- 61
	<u>Other Countries</u>						
43	Merchandise exports (adjusted)	332	425	371	387	314	383
44	Non-merchandise receipts(1)	59	67	85	74	60	74
45	Total current receipts	391	492	456	461	374	457
46	Merchandise imports (adjusted)	260	303	314	338	295	348
47	Non-merchandise payments(1)	89	91	105	114	115	123
48	Total current payments	349	394	419	452	410	471
	Balance						
49	Merchandise trade	+ 72	+ 122	+ 57	+ 49	+ 19	+ 35
50	Non-merchandise trade	- 30	- 24	- 20	- 40	- 55	- 49
51	Current account balance	+ 42	+ 98	+ 37	+ 9	- 36	- 14
	<u>All Countries</u>						
52	Merchandise exports (adjusted)	3,017	3,532	3,321	3,667	3,467	3,809
53	Non-merchandise receipts(1, 4)	658	901	1,254	834	745	1,014
54	Total current receipts	3,675	4,433	4,575	4,501	4,212	4,823
55	Merchandise imports (adjusted)	2,754	3,140	2,859	3,409	3,226	3,706
56	Non-merchandise payments(1)	1,148	1,278	1,403	1,300	1,259	1,451
57	Total current payments	3,902	4,418	4,262	4,709	4,485	5,157
	Balance						
58	Merchandise trade	+ 263	+ 392	+ 462	+ 258	+ 241	+ 103
59	Non-merchandise trade	- 490	- 377	- 149	- 466	- 514	- 437
60	Current account balance	- 227	+ 15	+ 313	- 208	- 273	- 334
	<u>Capital movements</u>						
61	In long-term forms	+ 165	+ 749	+ 373	+ 367	+ 560	+ 532
62	In short-term forms	- 702	- 144	- 524	+ 172	- 325	- 252
63	Total net capital balance	- 537	+ 605	- 151	+ 539	+ 235	+ 280
64	Allocation of Special Drawing Rights .....	...	...	...	...	...	...
65	Net official monetary movements	- 764	+ 620	+ 162	+ 331	- 38	- 54

(1) Including transfer receipts/payments.

(2) Capital movements by area on a quarterly basis are available at this time only for Canada's transactions with the United States and the United Kingdom.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

By Area									
1969		1970				1968	1969	Four quarters ended 11Q 1970	No.
III	IV	I	II	III	IV				
millions of dollars									
305	320	351	419			1,051	1,203	1,395	34
84	75	84	97			274	294	340	35
389	395	435	516			1,325	1,497	1,735	36
283	316	238	317			941	1,124	1,154	37
177	153	146	163			539	595	639	38
460	469	384	480			1,480	1,719	1,793	39
+ 22	+ 4	+ 113	+ 102			+ 110	+ 79	+ 241	40
- 93	- 78	- 62	- 66			- 265	- 301	- 299	41
- 71	- 74	+ 51	+ 36			- 155	- 222	- 58	42
367	370	430	524			1,515	1,434	1,691	43
78	74	77	104			285	286	333	44
445	444	507	628			1,800	1,720	2,024	45
368	376	327	369			1,215	1,387	1,440	46
148	141	156	155			399	527	600	47
516	517	483	524			1,614	1,914	2,040	48
- 1	- 6	+ 103	+ 155			+ 300	+ 47	+ 251	49
- 70	- 67	- 79	- 51			- 114	- 241	- 267	50
- 71	- 73	+ 24	+ 104			+ 186	- 194	- 16	51
3,545	4,053	3,936	4,525			13,537	14,874	16,059	52
1,328	961	870	1,137			3,647	4,048	4,296	53
4,873	5,014	4,806	5,662			17,184	18,922	20,355	54
3,303	3,752	3,303	3,862			12,162	13,987	14,220	55
1,564	1,452	1,462	1,554			5,129	5,726	6,032	56
4,867	5,204	4,765	5,416			17,291	19,713	20,252	57
+ 242	+ 301	+ 633	+ 663			+ 1,375	+ 887	+ 1,839	58
- 236	- 491	- 592	- 417			- 1,482	- 1,678	- 1,736	59
+ 6	- 190	+ 41	+ 246			- 107	- 791	+ 103	60
+ 596	+ 569	+ 655	+ 7			+ 1,654	+ 2,257	+ 1,827	61
- 607	- 217	- 302	+ 528			- 1,198	- 1,401	- 598	62
- 11	+ 352	+ 353	+ 535			+ 456	+ 856	+ 1,229	63
...	...	+ 133	-			...	...	+ 133	64
- 5	+ 162	+ 527	+ 781			+ 349	+ 65	+ 1,465	65

(3) Includes Austria, Belgium and Luxembourg, Denmark, Federal Republic of Germany, France, Greece, Greenland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey. Finland included as of January 1970.

(4) Gold production available for export has not been allocated on a bilateral basis but is included in the total for all countries.

... Not applicable.

TABLE 4. CANADA'S OFFICIAL INTERNATIONAL MONETARY ASSETS AND LIABILITIES

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of United States dollars at end of period					
	<u>Assets</u>						
	Official holdings of foreign exchange						
1	U.S. dollars	1,269	1,649	1,672	1,965	1,918	1,758
2	Other convertible currencies	16	15	16	12	9	15
3	Monetary gold	976	926	863	863	863	866
4	Special Drawing Rights .....	...	...	...	...	...	...
5	Reserve position in IMF	-	121	186	206	221	322
6	Total official international reserves(1)	2,261	2,711	2,737	3,046	3,011	2,961
	<u>Liabilities</u>						
7	Use of IMF credit(2)	-	-	-	-	-	-
8	Foreign exchange deposit liabilities ...	1	1	1	1	1	1
9	Reported use of central bank reciprocal credit facilities	250	125	-	-	-	-
10	Total official monetary liabilities	251	126	1	1	1	1
11	Net official monetary assets	2,010	2,585	2,736	3,045	3,010	2,960
		Change in millions of Canadian dollars					
	<u>Change in Assets and Liabilities</u>						
12	Total official international reserves(3)	- 495	+ 486	+ 28	+ 331	- 38	- 54
13	Total official monetary liabilities(3)	- 269	+ 134	+ 134	-	-	-

(1) As published by the Minister of Finance.

(2) Transactions with the IMF when that institution holds Canadian dollars in excess of 100 per cent of the Canadian quota.

TABLE 4. CANADA'S OFFICIAL INTERNATIONAL MONETARY ASSETS AND LIABILITIES

1969		1970							No.
III	IV	I	II	III	IV	April	May	June	
millions of United States dollars at end of period									
1,668 14	1,744 12	2,057 14	2,770 17			2,300 14	2,526 17	2,770 17	1 2
872	872	879	880			879	880	880	3
...	...	133	143			133	138	143	4
402	478	515	523			497	523	523	5
2,956	3,106	3,598	4,333			3,823	4,084	4,333	6
-	-	-	-			-	-	-	7
1	1	1	1			1	1	1	8
-	-	-	-			-	-	-	9
1	1	1	1			1	1	1	10
2,955	3,105	3,597	4,332			3,822	4,083	4,332	11
Change in millions of Canadian dollars									
- 5	+ 162	+ 527	+ 781			+ 241	+ 281	+ 259	12
-	-	-	-			-	-	-	13

(3) These totals appear as items H4 and H5 in Table 1.
... Not applicable.

TABLE 5. CANADA'S GENERAL ACCOUNT WITH THE INTERNATIONAL MONETARY FUND(1)

		Canadian assets			Canadian liabilities (equals IMF holdings of Canadian dollars)							Canada's net balance with IMF (2)		
		Transactions		Total assets	Transactions						Total liabil- ities			
					Subscrip- tion to IMF (Quota)	Loans under GAB	Subscrip- tions and loans	Foreign currencies		Canadian dollars			Other	
								Drawings by Canada	Re- payments (-)	Drawings by other countries(-)				Re- payments
millions of United States dollars														
1947-1966	740.0	50.0	790.0	605.0	300.0	- 245.7	- 949.4	570.1	61.5(3)	341.5	448.5			
1967		-15.0	775.0	- 15.0			- 30.0	45.1		341.6	433.4			
1968		-35.0	740.0	- 35.0	426.0	- 64.8	- 138.5	7.3	- 2.8(4)	533.8	206.2			
1969		95.5	835.5	65.5			- 293.5	43.2	8.4	357.4	478.1			
1968 1		-35.0	740.0	- 35.0	426.0			7.3		739.9	0.1			
11			740.0				- 121.1			618.9	121.1			
111			740.0			- 64.8				554.1	185.9			
1V			740.0				- 17.5		- 2.8(4)	533.8	206.2			
1969 1			740.0				- 15.0			518.8	221.2			
11		40.0	780.0	40.0			- 103.5		2.5(3)	457.8	322.2			
111		25.5	805.5	25.5			- 87.0	0.8	6.1(3)	403.2	402.3			
1V		30.0(5)	835.5				- 88.0	42.4	- 0.2(4)	357.4	478.1			
1970 1		24.5	860.0	24.5			- 63.8	18.1	8.8(3)	345.0	515.0			
11			860.0				- 29.7	22.2		337.5	522.5			
111														
1V														

(1) Excludes Special Drawing Rights account.

(2) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow (GAB). Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million. The Canadian dollar equivalent of changes in positive balances appears as a component of item H4 in Table 1. Changes in negative balances, i.e. use of IMF credit, are shown as a component of item H5.

(3) Sales of Canadian dollars to IMF for gold.

(4) Dividend payment to Canada.

(5) Acquisition of GAB notes issued previously to another IMF member.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

TABLE 6. BALANCE OF PAYMENTS ADJUSTMENTS TO TRADE OF CANADA FIGURES

Item	1968				1969				1970				1968	1969	1970
	I	II	III	IV	I	II	III	IV	I	II	III	IV			
	million of dollars														
Trade of Canada EXPORTS (including re-exports)	3,022	3,517	3,372	3,694	3,467	3,815	3,556	4,035	3,939	4,501			13,605	14,873	
Adjustments:															
Wheat	+ 3	+ 29	- 21	- 15	-	+ 5	- 1	+ 9	- 6	+ 25			- 4	+ 13	
Aircraft and other adjustments	- 8	- 14	- 30	- 12	-	- 11	- 10	+ 9	+ 3	- 1			- 64	- 12	
Equals merchandise exports adjusted to balance of payments basis	3,017	3,532	3,321	3,667	3,467	3,809	3,545	4,053	3,936	4,525			13,537	14,874	
Trade of Canada IMPORTS ..	2,810	3,201	2,884	3,463	3,264	3,805	3,349	3,784	3,331	3,877			12,358	14,202	
Adjustments:															
Automotive products	- 38	- 37	- 28	- 44	- 46	- 64	- 42	- 30	- 22	- 4			- 147	- 182	
Aircraft and other..... equipment	- 13	- 18	+ 8	- 5	+ 13	- 29	+ 1	+ 4	- 1	- 6			- 28	- 11	
Other adjustments	- 5	- 6	- 5	- 5	- 5	- 6	- 5	- 6	- 5	- 5			- 21	- 22	
Equals merchandise imports adjusted to balance of payments basis	2,754	3,140	2,859	3,409	3,226	3,706	3,303	3,752	3,303	3,862			12,162	13,987	
Trade balance on balance of payments basis	+ 263	+ 392	+ 462	+ 258	+ 241	+ 103	+ 242	+ 301	+ 633	+ 663			+1,375	+ 887	

TABLE 7. RECONCILIATION STATEMENT WITH NATIONAL INCOME AND EXPENDITURE ACCOUNTS

	1968	1969	1969				1970	
			I	II	III	IV	I	II
			millions of dollars					
Exports of goods and services:								
Current receipts as per Canadian Balance of								
International Payments	17,184	18,922	4,212	4,823	4,873	5,014	4,806	5,662
Deduct:								
Current transfers:								
Personal remittances, etc.	- 95	- 91	- 22	- 23	- 23	- 23	- 24	- 24
Capital transfers:								
Inheritances and migrants' funds	- 370	- 363	- 62	- 100	- 109	- 92	- 72	- 101
Total exports of goods and services as per								
National Income and Expenditure Accounts	16,719	18,468	4,128	4,700	4,741	4,899	4,710	5,537
Imports of goods and services:								
Current payments as per Canadian Balance of								
International Payments	17,291	19,713	4,485	5,157	4,867	5,204	4,765	5,416
Deduct:								
Current transfers:								
Personal remittances, etc.	- 148	- 172	- 45	- 42	- 42	- 43	- 46	- 48
Official contributions	- 133	- 144	- 16	- 49	- 46	- 33	- 31	- 42
Capital transfers:								
Inheritances and migrants' funds	- 209	- 194	- 40	- 44	- 58	- 52	- 42	- 49
Add:								
Withholding taxes on dividends and interest ...	126	139	30	32	31	46	40	34
Withholding taxes on other payments(1)	83	93	16	41	17	19	26	36
Total imports of goods and services as per								
National Income and Expenditure Accounts	17,010	19,435	4,430	5,095	4,769	5,141	4,712	5,347

(1) Includes timing adjustments.

Note: Data include some revisions not yet reflected in the National Income and Expenditure Accounts.

TABLE 8. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Summary of Current Account

Period	Exports (adjusted)	Imports (adjusted)	Trade balance	Non- merchandise receipts (1)	Non- merchandise payments(1)	Non- merchandise balance	Total current account balance	Current account balance		
								With:(2) United States	With: United Kingdom	With: All other countries
millions of dollars										
1960	5,392	5,540	- 148	1,744	2,829	- 1,085	- 1,233	1,359	+ 169	- 43
1961	5,889	5,716	+ 173	1,899	3,000	- 1,101	- 928	1,341	+ 195	+ 218
1962	6,387	6,203	+ 184	2,036	3,050	- 1,014	- 830	1,092	+ 225	+ 37
1963	7,082	6,579	+ 503	2,207	3,231	- 1,024	- 521	1,148	+ 417	+ 210
1964	8,238	7,537	+ 701	2,509	3,634	- 1,125	- 424	1,635	+ 605	+ 606
1965	8,745	8,627	+ 118	2,736	3,984	- 1,248	- 1,130	1,937	+ 505	+ 302
1966	10,326	10,102	+ 224	3,070	4,456	- 1,386	- 1,162	2,030	+ 425	+ 443
1967	11,338	10,772	+ 566	3,747	4,812	- 1,065	- 499	1,342	+ 512	+ 331
1968	13,537	12,162	+ 1,375	3,647	5,129	- 1,482	- 107	801	+ 466	+ 228
1969	14,874	13,987	+ 887	4,048	5,726	- 1,678	- 791	770	+ 337	- 358
1970										
1965 I	1,826	1,866	- 40	505	886	- 381	- 421	595	+ 96	+ 78
II	2,191	2,218	- 27	648	985	- 337	- 364	532	+ 141	+ 27
III	2,263	2,101	+ 162	930	1,058	- 128	+ 34	175	+ 138	+ 71
IV	2,465	2,442	+ 23	653	1,055	- 402	- 379	635	+ 130	+ 126
1966 I	2,223	2,213	+ 10	563	960	- 397	- 387	590	+ 106	+ 97
II	2,602	2,651	- 49	734	1,065	- 331	- 380	605	+ 110	+ 115
III	2,695	2,472	+ 223	1,033	1,223	- 190	+ 33	191	+ 101	+ 123
IV	2,806	2,766	+ 40	740	1,208	- 468	- 428	644	+ 108	+ 108
1967 I	2,596	2,481	+ 115	648	1,076	- 428	- 313	563	+ 127	+ 123
II	3,003	2,975	+ 28	947	1,244	- 297	- 269	508	+ 116	+ 123
III	2,691	2,591	+ 100	1,350	1,250	+ 100	+ 200	48	+ 102	+ 50
IV	3,048	2,725	+ 323	802	1,242	- 440	- 117	319	+ 167	+ 35
1968 I	3,017	2,754	+ 263	658	1,148	- 490	- 227	415	+ 124	+ 64
II	3,532	3,140	+ 392	901	1,278	- 377	+ 15	249	+ 130	+ 134
III	3,321	2,859	+ 462	1,254	1,403	- 149	+ 313	151	+ 115	+ 47
IV	3,667	3,409	+ 258	834	1,300	- 466	- 208	288	+ 97	- 17
1969 I	3,467	3,226	+ 241	745	1,259	- 514	- 273	397	+ 128	- 4
II	3,809	3,706	+ 103	1,014	1,451	- 437	- 334	319	+ 61	- 76
III	3,545	3,303	+ 242	1,328	1,564	- 236	+ 6	95	+ 37	- 126
IV	4,053	3,752	+ 301	961	1,452	- 491	- 190	149	+ 111	- 152
1970 I	3,936	3,303	+ 633	870	1,462	- 592	+ 41	284	+ 183	+ 142
II	4,525	3,862	+ 663	1,137	1,554	- 417	+ 246	103	+ 211	+ 138
III										
IV										

(1) Includes transfers.

(2) Includes gold production available for export.

TABLE 8. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

Summary of Capital Account

Period	Direct investment in Canada	Direct investment abroad	Portfolio transactions	Other capital movements in long-term forms	Resident holdings of foreign bank balances and other short-term funds abroad	Non-resident holdings of Canadian short-term paper	Other capital movements in short-term forms(1)	Net capital movement	Allocation of Special Drawing Rights	Net official monetary movements
millions of dollars										
1960	+ 670	- 50	+ 217	+ 92	- 60	+ 56	+ 269	+ 1,194	...	- 39
1961	+ 560	- 80	+ 312	+ 138	+ 142	- 58	+ 206	+ 1,220	...	+ 292
1962	+ 505	- 105	+ 294	- 6	+ 92	+ 4	+ 200	+ 984	...	+ 154
1963	+ 280	- 135	+ 471	+ 21	- 259	+ 43	+ 245	+ 666	...	+ 145
1964	+ 270	- 95	+ 645	-	- 527	+ 169	+ 326	+ 788	...	+ 364
1965	+ 535	- 125	+ 546	- 92	+ 140	- 140	+ 425	+ 1,289	...	+ 159
1966	+ 790	- 5	+ 325	+ 57	- 603	- 12	+ 251	+ 803	...	- 359
1967	+ 691	- 125	+ 473	+ 316	- 259	- 47	- 530	+ 519	...	+ 20
1968	+ 590	- 225	+ 1,063	+ 226	- 401	- 85	- 712	+ 456	...	+ 349
1969	+ 655	- 255	+ 1,832	+ 25	- 1,604	+ 250	- 47	+ 856	...	+ 65
1970										
1965 I	+ 142	- 57	+ 106	+ 22	+ 173	- 8	- 27	+ 351	...	- 70
II	+ 133	+ 33	+ 69	- 53	+ 140	- 4	+ 47	+ 365	...	+ 1
III	+ 111	- 55	+ 218	- 58	- 76	- 60	+ 110	+ 190	...	+ 224
IV	+ 149	- 46	+ 153	- 3	- 97	- 68	+ 295	+ 383	...	+ 4
1966 I	+ 134	- 22	+ 356	+ 1	- 166	+ 7	- 56	+ 254	...	- 133
II	+ 203	- 29	- 3	+ 56	- 22	- 14	+ 66	+ 257	...	- 123
III	+ 151	+ 80	+ 27	- 6	- 318	- 41	- 12	- 119	...	- 86
IV	+ 302	- 34	- 55	+ 6	- 97	+ 36	+ 253	+ 411	...	- 17
1967 I	+ 154	- 37	+ 116	+ 45	+ 344	+ 17	- 341	+ 298	...	- 15
II	+ 186	- 16	+ 29	+ 51	+ 42	- 12	- 63	+ 217	...	- 52
III	+ 166	- 34	+ 102	+ 85	- 310	- 77	- 76	- 144	...	+ 56
IV	+ 185	- 38	+ 226	+ 135	- 335	+ 25	- 50	+ 148	...	+ 31
1968 I	+ 53	- 88	+ 142	+ 58	- 99	- 30	- 573	- 537	...	- 764
II	+ 225	- 6	+ 470	+ 60	+ 10	- 51	- 103	+ 605	...	+ 620
III	+ 137	- 20	+ 268	- 12	- 170	- 25	- 329	- 151	...	+ 162
IV	+ 175	- 111	+ 183	+ 120	- 142	+ 21	+ 293	+ 539	...	+ 331
1969 I	+ 156	- 52	+ 536	- 80	- 156	+ 169	- 338	+ 235	...	- 38
II	+ 233	- 103	+ 422	- 20	- 568	+ 63	+ 253	+ 280	...	- 54
III	+ 79	- 25	+ 558	- 16	- 621	- 78	+ 92	- 11	...	- 5
IV	+ 187	- 75	+ 316	+ 141	- 259	+ 96	- 54	+ 352	...	+ 162
1970 I	+ 190	- 130	+ 553	+ 42	+ 209	- 64	- 447	+ 353	+ 133	+ 527
II	+ 165	- 20	- 59	- 79	- 13	+ 130	+ 411	+ 535	-	+ 781
III										
IV										

(1) Includes errors and omissions.

... Not applicable.

TABLE 9. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1967 AND 1968

Current Account(1)

Line No.	Acct. No.	Item	All countries		United States	
			1967	1968 ^P	1967	1968 ^P
			millions of dollars			
	A	<u>Current receipts</u>				
1	1	Merchandise exports (adjusted)(2)	11,338	13,537	7,277	9,116
		Service receipts				
2	3	Gold production available for export	112	120	112	120
3	4	Travel	1,318	978	1,164	891
4	5	Interest and dividends	295	353	176	231
5	6	Freight and shipping	830	891	425	467
6	(part)11	Other service receipts	770	840	491	573
7		Total service receipts	3,325	3,182	2,368	2,282
8		Sub-totals, exports of goods and services	14,663	16,719	9,645	11,398
		Transfer receipts				
9	7	Inheritances and immigrants' funds	329	370	105	137
10	(part)11	Personal and institutional remittances(3)	93	95	57	54
11	12	Total current receipts	15,085	17,184	9,807	11,589
	B	<u>Current payments</u>				
12	1	Merchandise imports (adjusted)(2)	10,772	12,162	7,846	8,867
		Service payments				
13	4	Travel	895	1,008	627	710
14	5	Interest and dividends	1,211	1,259	1,058	1,074
15	6	Freight and shipping	861	931	522	561
16	(part)11	Other service payments	1,277	1,441	893	984
17		Total service payments	4,244	4,639	3,100	3,329
18		Sub-totals, imports of goods and services	15,016	16,801	10,946	12,196
		Transfer payments				
19	7	Inheritances and emigrants' funds	213	209	156	145
20	(part)11	Personal and institutional remittances(3)	173	148	47	49
21	9	Official contributions	182	133	-	-
22	12	Total current payments	15,584	17,291	11,149	12,390
	C	<u>Current account balance</u>				
23	1	Merchandise trade	+ 566	+ 1,375	- 569	+ 249
		Service transactions				
24		Gold production available for export	+ 112	+ 120	+ 112	+ 120
25		Travel	+ 423	- 30	+ 537	+ 181
26		Interest and dividends	- 916	- 906	- 882	- 843
27		Freight and shipping	- 31	- 40	- 97	- 94
28		Other service transactions	- 507	- 601	- 402	- 411
29		Balance on service transactions	- 919	- 1,457	- 732	- 1,047
30		Balance on goods and services	- 353	- 82	- 1,301	- 798
31		Net transfers	- 146	- 25	- 41	- 3
32	4	Total current account balance	- 499	- 107	- 1,342	- 801

(1) Excludes offsetting entries for Mutual Aid to NATO; these amounts in 1967 and 1968 were \$20 million and \$21 million, respectively.

(2) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments - see Table 6.

TABLE 9. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1967 AND 1968

Current Account(1)

United Kingdom		Rest of the Sterling Area		Other OECD (Europe)		All other countries		Acct. No.	Line No.
1967	1968P	1967	1968P	1967	1968P	1967	1968P		
millions of dollars									
1,199	1,240	642	615	909	1,051	1,311	1,515	A 1	1
-	-	-	-	-	-	-	-		
40	23	18	13	58	32	38	19	3	2
36	16	53	65	8	10	22	31	4	3
127	124	58	56	89	104	131	140	5	4
110	128	40	33	68	58	61	48	6	5
313	291	169	167	223	204	252	238	(part)11	6
									7
1,512	1,531	811	782	1,132	1,255	1,563	1,753		8
81	77	61	66	58	45	24	45	7	9
15	12	1	2	18	25	2	2	(part)11	10
1,608	1,620	873	850	1,208	1,325	1,589	1,800	12	11
651	682	434	457	843	941	998	1,215	B 1	12
88	103	43	41	105	121	32	33	4	13
90	94	1	-	58	-	4	91	5	14
104	94	12	15	119	151	104	110	6	15
100	111	37	46	186	217	61	83	(part)11	16
382	402	93	102	468	489	201	317		17
1,033	1,084	527	559	1,311	1,430	1,199	1,532		18
31	38	5	6	12	11	9	9	7	19
32	32	4	5	36	37	54	25	(part)11	20
-	-	156	83	2	2	24	48	9	21
1,096	1,154	692	653	1,361	1,480	1,286	1,614	12	22
+ 548	+ 558	+ 208	+ 158	+ 66	+ 110	+ 313	+ 300	C 1	23
-	-	-	-	-	-	-	-		
- 48	- 80	- 25	- 28	- 47	- 89	+ 6	- 14		24
- 54	- 78	+ 52	+ 65	- 50	+ 10	+ 18	- 60		25
+ 23	+ 30	+ 46	+ 41	- 30	- 47	+ 27	+ 30		26
+ 10	+ 17	+ 3	- 13	- 118	- 159	-	- 35		27
- 69	- 111	+ 76	+ 65	- 245	- 285	+ 51	- 79		28
									29
+ 479	+ 447	+ 284	+ 223	- 179	- 175	+ 364	+ 221		30
+ 33	+ 19	- 103	- 26	+ 26	+ 20	- 61	- 35		31
+ 512	+ 466	+ 181	+ 197	- 153	- 155	+ 303	+ 186	4	32

(3) Personal and institutional remittances include pension payments. Prior to 1 Quarter 1970 publications, the total of this line was included in "all other current" transactions.

TABLE 9. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1967 AND 1968 - Concluded

Capital Account(4)

Line No.	Acct. No.	Item	All countries		United States	
			1967	1968 ^P	1967	1968 ^P
			millions of dollars			
	D					
		Direct investment(5)				
33	1	In Canada	+ 691	+ 590	+ 575	+ 354
34	2	Abroad	- 125	- 225	- 72	- 108
		Portfolio transactions				
		Canadian securities				
35	3.1	Outstanding bonds	- 57	- 70	- 63	- 67
36	3.2	Outstanding stocks	+ 12	+ 114	+ 77	+ 104
37	4	New issues	+ 1,307	+ 1,917	+ 1,239	+ 1,391
38	5	Retirements	- 357	- 431	- 301	- 376
		Foreign securities				
39	6	Outstanding issues	- 382	- 420	- 355	- 402
40	7	New issues	- 65	- 77	- 38	- 46
41	8	Retirements	+ 15	+ 30	+ 8	+ 16
		Loans and subscriptions - Government of Canada				
42	9	Advances	- 38	- 78	-	-
43	10	Repayments	+ 34	+ 5	-	-
44	11	Columbia River Treaty	+ 44	+ 88	+ 44	+ 88
45	12	Export credits directly or indirectly at risk of the Government of Canada.	+ 107	+ 29	+ 7	+ 9
46	13	Other long-term capital transactions	+ 169	+ 182	+ 137	+ 171
47	E 1	Balance of capital movements in long-term forms (lines 33-46).	+ 1,355	+ 1,654	+ 1,258	+ 1,134
48	D 17.1	Resident holdings of foreign bank balances and other short-term funds abroad.	- 259	- 401	- 164	- 428
		Non-resident holdings of Canadian:				
49	14.1	Dollar deposits	+ 24	+ 70	+ 3	+ 26
50	14.2	Government demand liabilities	- 4	+ 21	-	-
51	14.3	Treasury bills	+ 4	+ 48	- 4	- 3
52	17.2a	Commercial paper	- 11	+ 1	- 4	-
53	17.3	Finance company paper	- 64	- 132	- 67	- 62
54	17.2b	Other short-term paper	+ 24	- 2	+ 7	+ 11
55	17.4	Other finance company obligations	+ 35	+ 19	+ 32	+ 17
56	17.5	Other short-term capital transactions(6)	- 585	- 822	- 510	- 831
57	E 2	Balance of capital movements in short-term forms (lines 48-56).	- 836	- 1,198	- 707	- 1,270
58	E 3	Total net capital balance	+ 519	+ 456	+ 551	- 136
59	G	Balance settled by exchange transfers	-	-	+ 771	+ 1,418
	H	Net official monetary movements(7):				
60	4	Official international reserves	+ 17	+ 350	- 20	+ 483
61	5	Official monetary liabilities	+ 3	- 1	-	- 2
62	6	Net official monetary assets	+ 20	+ 349	- 20	+ 481

(4) A minus sign in Accounts D and E equals an outflow of capital from Canada and represents an increase in holdings of assets abroad or a reduction in liabilities to non-residents.

(5) Exclusive of undistributed profits.

P Preliminary

TABLE 9. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1967 AND 1968 - Concluded

Capital Account(4)

United Kingdom		Rest of the Sterling Area		Other OECD (Europe)		All other countries		Acct. No.	Line No.
1967	1968 ^P	1967	1968 ^P	1967	1968 ^P	1967	1968 ^P		
millions of dollars									
								D	
+ 12	+ 83	+ 21	+ 18	+ 64	+ 101	+ 19	+ 34	1	33
+ 20	+ 9	- 54	- 60	- 28	- 57	+ 9	- 9	2	34
- 3	+ 15	+ 3	+ 4	- 3	- 22	+ 9	-	3.1	35
- 56	- 41	-	-	- 9	+ 51	-	-	3.2	36
+ 41	+ 56	-	-	+ 27	+ 465	-	+ 5	4	37
- 20	- 31	-	-	- 36	- 19	-	- 5	5	38
- 27	- 10	- 1	-	+ 1	- 8	-	-	6	39
-	-	-	- 4	-	- 5	- 27	- 22	7	40
-	-	+ 2	+ 2	+ 1	+ 3	+ 4	+ 9	8	41
-	-	- 22	- 44	-	- 3	- 16	- 31	9	42
+ 19	-	+ 13	+ 3	+ 2	+ 2	-	-	10	43
-	-	-	-	-	-	-	-	11	44
-	-	- 29	- 30	- 7	+ 3	+ 136	+ 47	12	45
- 2	- 14	+ 3	- 2	+ 71	+ 29	- 40	- 2	13	46
- 16	+ 67	- 64	- 113	+ 83	+ 540	+ 94	+ 26	E 1	47
- 243	- 358	+ 80	+ 189	+ 63	+ 23	+ 5	+ 173	D 17.1	48
- 8	+ 4	+ 17	+ 19	+ 9	+ 13	+ 3	+ 8	14.1	49
-	-	-	-	-	-	- 4	+ 21	14.2	50
+ 2	- 1	+ 8	+ 1	+ 1	- 1	- 3	+ 52	14.3	51
- 11	- 1	-	-	+ 4	+ 2	-	-	17.2a	52
+ 25	- 34	-	-	- 16	- 36	- 6	-	17.3	53
+ 11	- 10	-	-	+ 6	- 3	-	-	17.2b	54
+ 3	- 1	-	-	-	+ 3	-	-	17.4	55
- 44	- 16	- 7	- 2	- 15	+ 21	- 9	+ 6	17.5	56
- 265	- 417	+ 98	+ 207	+ 52	+ 22	- 14	+ 260	E 2	57
- 281	- 350	+ 34	+ 94	+ 135	+ 562	+ 80	+ 286	E 3	58
- 253	- 7	- 215	- 291	+ 24	- 408	- 327	- 712	G	59
- 22	+ 109	-	-	+ 3	- 3	+ 56	- 239	H	60
-	-	-	-	+ 3	+ 2	-	- 1	5	61
- 22	+ 109	-	-	+ 6	- 1	+ 56	- 240	6	62

(6) Includes balancing item representing difference between direct measures of current and capital accounts and embodies errors and omissions from both accounts.

(7) For detailed composition of official monetary assets see Table 4.

... Not applicable.

TABLE 10. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1967 AND 1968
BETWEEN CANADA AND THE UNITED STATES
Current Account

Line No.	Acct. No.	Item	1967				1968P			
			I	II	III	IV	I	II	III	IV
			millions of dollars							
	A	<u>Current receipts</u>								
1	1	Merchandise exports (adjusted)(1)	1,646	1,852	1,740	2,039	2,053	2,352	2,179	2,532
		Service receipts								
2	3	Gold production available for export	32	28	26	26	33	27	32	28
3	4	Travel	71	301	647	145	72	206	501	112
4	5	Interest and dividends	52	28	38	58	41	53	58	79
5	6	Freight and shipping	85	108	116	116	96	119	127	125
6	(part)11	Other service receipts	121	123	126	121	140	146	143	144
7		Total service receipts	361	588	953	466	382	551	861	488
8		Sub-totals, exports of goods and services	2,007	2,440	2,693	2,505	2,435	2,903	3,040	3,020
		Transfer receipts								
9	7	Inheritances and immigrants' funds	18	25	39	23	16	36	48	37
10	(part)11	Personal and institutional remittances(2)	13	14	15	15	13	13	14	14
11	12	Total current receipts	2,038	2,479	2,747	2,543	2,464	2,952	3,102	3,071
	B	<u>Current payments</u>								
12	1	Merchandise imports (adjusted)(1)	1,877	2,162	1,839	1,968	2,076	2,307	2,019	2,465
		Service payments								
13	4	Travel	141	181	200	105	164	181	248	117
14	5	Interest and dividends	213	237	243	365	236	270	246	322
15	6	Freight and shipping	104	140	140	138	111	147	150	153
16	(part)11	Other service payments	219	220	223	231	240	245	244	255
17		Total service payments	677	778	806	839	751	843	888	847
18		Sub-totals, imports of goods and services	2,554	2,940	2,645	2,807	2,827	3,150	2,907	3,312
		Transfer payments								
19	7	Inheritances and emigrants' funds	35	35	43	43	38	39	34	34
20	(part)11	Personal and institutional remittances(2)	12	12	11	12	14	12	10	13
21	9	Official contributions	-	-	-	-	-	-	-	-
22	12	Total current payments	2,601	2,987	2,699	2,862	2,879	3,201	2,951	3,359
	C	<u>Current account balance</u>								
23	1	Merchandise trade	- 231	- 310	- 99	+ 71	- 23	+ 45	+ 160	+ 67
		Service transactions								
24		Gold production available for export	+ 32	+ 28	+ 26	+ 26	+ 33	+ 27	+ 32	+ 28
25		Travel	- 70	+ 120	+ 447	+ 40	- 92	+ 25	+ 253	- 5
26		Interest and dividends	- 161	- 209	- 205	- 307	- 195	- 217	- 188	- 243
27		Freight and shipping	- 19	- 32	- 24	- 22	- 15	- 28	- 23	- 28
28		Other service transactions	- 98	- 97	- 97	- 110	- 100	- 99	- 101	- 111
29		Balance on service transactions	- 316	- 190	+ 147	- 373	- 369	- 292	- 27	- 359
30		Balance on goods and services	- 547	- 500	+ 48	- 302	- 392	- 247	+ 133	- 292
31		Net transfers	- 16	- 8	-	- 17	- 23	- 2	+ 18	+ 4
32	4	Total current account balance	- 563	- 508	+ 48	- 319	- 415	- 249	+ 151	- 288

- (1) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments - see Table 6.
(2) Personal and institutional remittances include pension payments. Prior to 1 Quarter 1970 publications, the total of this line was included in "all other current" transactions.
(3) A minus sign in Accounts D and E equals an outflow of capital from Canada and represents an increase in holdings of assets abroad or a reduction in liabilities to non-residents.

TABLE 10. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1967 AND 1968 - Concluded
BETWEEN CANADA AND THE UNITED STATES
Capital Account(3)

Line No.	Acct. No.	Item	1967				1968P			
			I	II	III	IV	I	II	III	IV
			millions of dollars							
	D									
		Direct investment(4)								
33	1	In Canada	+ 140	+ 161	+ 130	+ 144	+ 34	+ 159	+ 83	+ 78
34	2	Abroad	- 9	+ 4	- 20	- 47	- 46	- 11	- 6	- 45
		Portfolio transactions								
		Canadian securities								
35	3.1	Outstanding bonds	- 15	- 26	- 9	- 13	- 42	- 12	- 9	- 4
36	3.2	Outstanding stocks	- 22	+ 2	+ 46	+ 51	+ 26	+ 33	+ 16	+ 29
37	4	New issues	+ 300	+ 281	+ 266	+ 392	+ 333	+ 434	+ 289	+ 335
38	5	Retirements	- 54	- 118	- 48	- 81	- 128	- 121	- 38	- 89
		Foreign securities								
39	6	Outstanding issues	- 47	- 59	- 123	- 126	- 63	- 119	- 117	- 103
40	7	New issues	- 6	- 7	- 15	- 10	- 7	- 8	- 14	- 17
41	8	Retirements	+ 1	+ 1	+ 1	+ 5	+ 2	+ 7	+ 2	+ 5
		Loans and subscriptions - Government of Canada								
42	9	Advances	-	-	-	-	-	-	-	-
43	10	Repayments	-	-	-	-	-	-	-	-
44	11	Columbia River Treaty	-	-	-	+ 44	-	-	-	+ 88
45	12	Export credits directly or indirectly at risk of the Government of Canada	+ 1	+ 1	+ 2	+ 3	+ 3	+ 2	+ 3	+ 1
46	13	Other long-term capital transactions	+ 44	- 32	+ 88	+ 37	+ 15	+ 21	+ 72	+ 63
47	E 1	Balance of capital movements in long-term forms (lines 33-46)	+ 333	+ 208	+ 318	+ 399	+ 127	+ 385	+ 281	+ 341
48	D 17.1	Resident holdings of foreign bank balances and other short-term funds abroad	+ 393	- 29	- 396	- 132	+ 126	- 156	- 368	- 30
		Non-resident holdings of Canadian:								
49	14.1	Dollar deposits	+ 57	- 68	- 2	+ 16	- 6	+ 7	+ 5	+ 20
50	14.2	Government demand liabilities	-	-	-	-	-	-	-	-
51	14.3	Treasury bills	- 3	-	- 3	+ 2	- 4	+ 2	- 1	-
52	17.2a	Commercial paper	- 2	- 4	+ 2	-	+ 1	- 2	+ 2	- 1
53	17.3	Finance company paper	+ 16	- 48	- 29	- 6	- 24	- 7	- 42	+ 11
54	17.2b	Other short-term paper	+ 4	+ 5	- 5	+ 3	+ 1	- 7	+ 7	+ 10
55	17.4	Other finance company obligations	- 22	+ 11	- 30	+ 73	- 8	- 7	- 2	+ 34
56	17.5	Other short-term capital transactions(5)	- 378	+ 49	- 25	- 156	- 634	- 69	- 314	+ 186
57	E 2	Balance of capital movements in short-term forms (lines 48-56)	+ 65	- 84	- 488	- 200	- 548	- 239	- 713	+ 230
58	E 3	Total net capital balance	+ 398	+ 124	- 170	+ 199	- 421	+ 146	- 432	+ 571
59	G	Balance settled by exchange transfers	+ 151	+ 346	+ 157	+ 117	+ 530	+ 488	+ 365	+ 35
	H	Net official monetary movements:								
60	4	Official international reserves	- 14	- 38	+ 35	- 3	- 35	+ 250	- 50	+ 318
61	5	Official monetary liabilities	-	-	-	-	- 271	+ 135	+ 134	-
62	6	Net official monetary assets	- 14	- 38	+ 35	- 3	- 306	+ 385	+ 84	+ 318

(4) Exclusive of undistributed profits.

(5) Includes balancing item representing difference between direct measures of current and capital accounts and embodies errors and omissions from both accounts. P Preliminary.

CANADA'S INTERNATIONAL INVESTMENT POSITION

Preliminary estimates produced on the basis of available data indicate that Canada's balance of international indebtedness recorded an annual increase of about \$1 1/2 billion reaching a book value of over \$27 billion by the end of 1969. Long-term foreign investment rose by about \$3 1/2 billion reflecting both an inflow of long-term capital and an increase in earnings accrued to and reinvested by non-residents. Other non-residents' claims on Canadians brought the total of Canada's external liabilities to about \$46 billion. Total outflow of domestic long-term capital together with an increase in earnings accrued to Canadians abroad caused the total book value of Canadian long-term investments abroad to rise to over \$10 billion at the end of 1969. Due mainly to the large rise in private holdings of foreign exchange, total Canadian assets abroad registered an increase of about \$2 billion, well exceeding \$18 billion at the end of 1969.

Canada's balance of international indebtedness rose by about 4.5 per cent to \$25.2 billion in 1967. The major contributor to the increased balance of indebtedness in 1967 has been the expansion in foreign long-term investments. Their value totalled \$34.7 billion at the end of 1967, up from \$32.1 billion a year earlier and \$17.5 billion ten years previously. Although these investments registered a record annual rise of \$2,612 million over the 1966 level, the rate of increase was slightly less compared to that of the previous year. Nearly 65 per cent of this increase was attributable to direct investment which expanded by \$1,691 million to \$20,699 million. Approximately two-fifths of this amount was invested in manufacturing and the remainder, in descending order of magnitude in finance, other mining and smelting, petroleum and natural gas, merchandising, other enterprises and utilities. There was a large gain in non-resident holdings of government securities mainly as a result of sales of new provincial issues to non-residents. Other portfolio investments and miscellaneous investments held mainly through intermediaries accounted for the balance of the increase in foreign long-term investments.

Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1967

Item	1926	1939	1945	1957	1960	1961
billions of dollars						
Gross liabilities to other countries	6.4	7.4	8.2	19.6	25.6	27.3
Gross external assets	1.3	1.9	4.0	7.9	8.9	9.6
Net indebtedness	5.1	5.5	4.2	11.8	16.6	17.7
	1962 ^r	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967
billions of dollars						
Gross liabilities to other countries	28.8	30.5	32.8	35.2	37.9	40.2
Gross external assets	10.1	10.9	12.4	12.9	13.9	15.0
Net indebtedness	18.7	19.6	20.4	22.4	24.1	25.2

Note: For details see Table 1. As figures are individually rounded, totals do not necessarily equal the sum of their component parts.

United States residents' share of foreign owned long-term investments in Canada registered yet another year of increase in both absolute and relative terms. At the end of 1967 this investment amounted to \$28,030 million and comprised nearly 81 per cent of all foreign long-term investments in Canada. The corresponding figures of United States share for earlier years were 80 per cent for 1966, 75 per cent for 1960 and 70 per cent for 1945. Direct investments owned in the United States with a book value of \$17,000 million at the end of 1967 were the main source of increase of total United States investment. But there were also substantial gains in United States holdings of Canadian government securities and some modest gains in other portfolio holdings and miscellaneous investments. The relative share of United Kingdom residents' long-term investment in Canada declined from about 11 per cent in 1966 to about 10 per cent in 1967. However in absolute terms these investments registered a small increase, mainly due to an increase in direct investment which amounted to \$2,152 million at the end of 1967. Other United Kingdom long-term investments declined by \$48 million to \$1,424 million. Long-term investment owned in other foreign countries increased by \$247 million to \$3,096 million at the end of 1967. More than three-fifths of this increase was accounted for by direct investment. Portfolio investments showed a modest gain.

Value of Foreign Long-term Investments in Canada, Selected Year Ends, 1900-67

Owned by residents of	1900 (1)	1914 (2)	1918 (2)	1926	1939	1945	1957	1960
millions of dollars								
United States	168	881	1,630	3,196	4,151	4,990	13,264	16,718
United Kingdom	1,050	2,778	2,729	2,637	2,476	1,750	2,917	3,359
Other countries	14	178	177	170	286	352	1,283	2,137
Total book value	1,232	3,837	4,536	6,003	6,913	7,092	17,464	22,214
millions of dollars								
	1961	1962	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967	
United States	18,001	19,155	20,537	21,558	23,389	25,723	28,030	
United Kingdom	3,381	3,399	3,348	3,460	3,512	3,518	3,576	
Other countries	2,224	2,335	2,320	2,456	2,702	2,849	3,096	
Total book value	23,606	24,889	26,205	27,474	29,603	32,090	34,702	

(1) Estimated by Dr. Jacob Viner, "Canada's Balance of International Indebtedness, 1900-1913", (Cambridge 1924).

(2) Estimated by Prof. F.A. Knox, Excursus appearing in "Canadian American Industry", Marshall, Southard and Taylor, (New Haven, Toronto 1936).

Canada's gross external assets increased by \$1.1 billion to \$15.0 billion at the end of 1967. Private long-term investments abroad in direct and portfolio investments abroad during 1967 increased by almost 11 per cent to \$6,596 million. Geographically, about two thirds of Canada's private long-term investments are located in the United States, a tenth each in the United Kingdom and in other Commonwealth countries and most of the remainder in the European Economic Community and South America.

Value of United States Long-term Investments in Canada, Selected Year Ends, 1926-67

Classification	1926	1939	1945	1957	1960
millions of dollars					
Direct investment	1,403	1,881	2,304	8,472	10,549
Government and municipal bonds	909	1,221	1,450	2,061	2,903
Other portfolio investments	799	944	1,106	1,987	2,349
Income accumulating investment funds	-	-	-	255	264
Miscellaneous investments	85	105	130	489	653
Total book value	3,196	4,151	4,990	13,264	16,718
millions of dollars					
	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967
Direct investment	12,785	12,959*	14,059	15,570	17,000
Government and municipal bonds	3,869	4,336	4,614	4,832	5,460
Other portfolio investments	2,836	2,971	3,361	3,884	3,980
Income accumulating investment funds	122	42	-	-	-
Miscellaneous investments	925	1,250	1,355	1,437	1,590
Total book value	20,537	21,558	23,389	25,723	28,030

Canadian direct investment abroad at the end of 1967 had a book value of \$4,030 million, an increase of \$319 million over the 1966 figure of \$3,711 million. More than a quarter of this increase was in the United States and an equal amount in other countries of the western hemisphere as significant increases occurred in the Caribbean countries. Substantial increases of direct investment took place in the OECD (Europe) group of countries. Investments in Australasia rose by more than 23 per cent to \$190 million, chiefly due to increased investments in Australia.

The Government of Canada's foreign assets declined slightly. An increase in Canada's official holdings of gold and foreign exchange and increases in the Government of Canada's subscriptions to international agencies were more than offset by a decline in credits to foreign governments and the net IMF position.

Portfolio holdings of foreign securities by Canadians are estimated to have totalled about \$2.6 billion at the end of 1967. Holdings of bonds amounted to about \$0.5 billion and holdings of stocks to about \$2.1 billion. During 1967 the increase of Canadian holdings of portfolio securities amounted to about 15 per cent. A significant proportion of these holdings comprised United States securities which amounted to about \$2.0 billion consisting of about \$1.8 billion of stocks and about \$0.2 billion of bonds.

Canadian Direct Investment Abroad, Geographical Distribution, Year Ends, 1965-1967

Region	1965	1966	1967
	millions of dollars		
North America (including Caribbean) ..	2,321	2,434	2,593
U. S. A.	2,041	2,100	2,190
Mexico	24	34	32
Bahamas	72	83	121
Bermuda	30	53	65
Other	154	164	185
South and Central America	190	214	235
Europe	680	764	846
United Kingdom	482	541	515
European Economic Community	125	143	191
Ireland	20	23	27
Switzerland	22	20	21
Other	31	37	92
Africa	72	79	92
South Africa	32	36	47
Other	40	43	45
Asia	65	66	74
Australasia	141	154	190
Australia	129	140	169
Other	12	14	21
Totals	3,469	3,711	4,030
Developed countries - Total	2,915	3,072	3,279
Developing countries - Total	554	639	751

Non-residents have a substantial equity in Canadian assets abroad through their ownership in whole or in part of Canadian corporations having subsidiaries, affiliates, branches or portfolio investments in other parts of the world. At the end of 1967 about \$1.7 billion of the Canadian assets abroad were beneficially owned by non-residents.

It should be noted that the statistics given above are expressed in book value terms. Market values would be substantially different.

Canadian Direct Investment Abroad, Industrial Detail, Year Ends, 1965-67.

	Manufacturing				Petroleum(1)	Mining	
	Beverages	Non-Ferrous Metals ^r	Other Man- facturing	Total Man- facturing ^r			
	million of dollars						
All Countries							
1965	723	502	783	2,008	235	253	
1966	767	550	862	2,179	182	296	
1967	792	590	942	2,324	186	324	
United States							
1965	558	170	355	1,083	216	34	
1966	585	189	389	1,163	159	47	
1967	603	182	463	1,248	154	36	
United Kingdom							
1965	133	144	146	423	2	1	
1966	151	156	159	466	5	2	
1967	146	145	136	427	6	1	
Other Commonwealth Countries							
1965	10	40	131	181	5	137	
1966	9	40	139	188	6	147	
1967	5	36	149	190	18	173	
Other Countries							
1965	22	148	151	321	12	81	
1966	22	165	175	362	12	100	
1967	38	227	194	459	8	114	
	Utilities			Merchand- ising	Financial ^r	Other	Total
	Railways	Other Utilities	Total Utilities				
	millions of dollars						
All Countries							
1965	302	215	517	155	165	136	3,469
1966	303	243	546	174	190	144	3,711
1967	306	249	555	262	218	161	4,030
United States							
1965	302	121	423	109	129	47	2,041
1966	303	127	430	120	138	43	2,100
1967	306	134	440	151	115	46	2,190
United Kingdom							
1965	-	10	10	24	13	9	482
1966	-	9	9	28	22	9	541
1967	-	5	5	49	22	5	515
Other Commonwealth Countries							
1965	-	34	34	12	18	66	453
1966	-	54	54	18	24	68	505
1967	-	49	49	47	54	82	613
Other Countries							
1965	-	50	50	10	5	14	493
1966	-	53	53	8	6	24	565
1967	-	61	61	15	27	28	712

(1) Excludes pipelines which account for most of "Other Utilities" in the United States.

Estimated Distribution of Ownership of Net Canadian Long-term Funded Debt,
End of 1957 and 1967
Classification by currency of payment

Debtor and currency	Amounts outstanding		Distribution of ownership							
			Canada		United States		United Kingdom		Other countries	
	1957	1967	1957	1967	1957	1967	1957	1967	1957	1967
Government of Canada, direct and guaranteed excluding railways:										
Payable in Canadian dollars only(1)	12,487	18,198	12,139	17,788	231	249	25	12	92	149
Payable in foreign currencies only	342	146	189	-	111	146	39	-	3	-
Payable optionally in Canadian or foreign currencies	-	-	-	-	-	-	-	-	-	-
Sub-totals	12,829	18,344	12,328	17,788	342	395	64	12	95	149
Provincial, direct and guaranteed excluding railways:										
Payable in Canadian dollars only	3,433	10,601	3,298	10,204	74	288	42	61	19	48
Payable in foreign currencies only	812	3,401	-	31	812	3,333	-	28	-	9
Payable optionally in Canadian or foreign currencies	231	69	13	17	213	51	5	1	-	-
Sub-totals	4,476	14,071	3,311	10,252	1,099	3,672	47	90	19	57
Municipal:										
Payable in Canadian dollars only	2,004	4,898	1,894	4,611	80	251	25	25	5	11
Payable in foreign currencies only	501	1,136	1	2	495	1,126	4	3	1	5
Payable optionally in Canadian or foreign currencies	70	30	20	13	45	16	5	1	-	-
Sub-totals	2,575	6,064	1,915	4,626	620	1,393	34	29	6	16
Railways:										
Payable in Canadian dollars only	887	1,429	862	1,321	7	29	9	12	9	67
Payable in foreign currencies only	438	462	1	19	157	174	278	246	2	23
Payable optionally in Canadian or foreign currencies	53	-	35	-	2	-	3	-	13	-
Sub-totals	1,378	1,891	898	1,340	166	203	290	258	24	90
Other corporations:										
Payable in Canadian dollars only	4,961	11,428	4,329	10,083	367	1,080	186	150	80	115
Payable in foreign currencies only	1,243	3,055	33	102	1,182	2,935	12	8	16	10
Payable optionally in Canadian or foreign currencies	174	31	54	16	117	15	2	-	1	-
Sub-totals	6,378	14,514	4,415	10,201	1,666(2)	4,030(2)	200	158	97	125
Total bonds and debentures:										
Payable in Canadian dollars only	23,772	46,554	22,521	44,007	759	1,897	287	260	205	390
Payable in foreign currencies only	3,336	8,200	224	154	2,757	7,714	333	285	22	47
Payable optionally in Canadian or foreign currencies	528	130	122	46	377	82	15	2	14	-
Totals	27,636	54,884	22,867	44,207	3,893	9,693	635	547	241	437

1957 1967

(1) Excludes treasury bills and notes	1,625	2,455
(2) Includes corporate bonds held by United States parent companies and affiliates:		
Payable in Canadian dollars only	4	3
Payable in foreign currencies only	162	118
Payable optionally in Canadian or foreign currencies	39	-
Totals	205	121

TABLE 1. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-67(1)

No.	Item	1926	1930	1939	1945	1949	1956	1957
billions of dollars								
Canadian liabilities:								
1	Direct investment 4, 6	1.8	2.4	2.3	2.7	3.6	8.9	10.1
2	Government and municipal bonds 5	1.4	1.7	1.7	1.7	1.8	2.1	2.3
3	Other portfolio investment 4	2.5	3.2	2.6	2.4	2.3	3.7	4.1
4	Miscellaneous investments 4	0.3	0.3	0.3	0.3	0.3	0.8	0.9
5	Foreign long-term investments in Canada 4, 5	6.0	7.6	6.9	7.1	8.0	15.6	17.5
6	Equity of non-residents in Canadian assets abroad .....	..	..	0.2	0.2	0.3	0.8	0.8
7	Canadian dollar holdings of non-residents .....	..	..	0.3	0.3	0.4	0.4	0.4
8	Gross liabilities(2)	6.4	8.0	7.4	7.6	8.7	16.7	18.7
9	United States(2)	3.5	4.9	4.5	5.4	6.4	12.6	14.1
10	United Kingdom(2)	2.7	2.9	2.6	1.8	1.8	2.8	3.1
11	Other countries(2, 3)	0.2	0.2	0.3	0.4	0.5	1.3	1.5
12	Short-term payables n.i.e.(4) .....	..	..	..	0.6	0.6	0.7	1.0
13	Gross liabilities	6.4(2)	8.0(2)	7.4(2)	8.2	9.3	17.5	19.6
Canadian assets:								
14	Direct investment 3	0.4	0.4	0.7	0.7	0.9	1.9	2.1
15	Portfolio investments 3	0.5	0.8	0.7	0.6	0.6	1.0	1.1
16	Government of Canada credits 3	-	-	-	0.7	2.0	1.6	1.6
17	Government of Canada subscriptions to inter- national investment agencies	-	-	-	-	0.1	0.1	0.1
18	Miscellaneous investment(7)	-	-	-	-	-	-	- 0.1
19	Canadian long-term investments abroad	0.9	1.3	1.4	2.0	3.6	4.5	4.7
20	Government of Canada holdings of gold and foreign exchange 2	-	-	0.5	1.7	1.2	1.9	1.8
21	Net IMF position	-	-	-	-	0.1	0.1	0.1
22	Other Canadian short-term holdings of ex- change	(8)	(8)	-	0.1	0.1	0.6	0.9
23	Gross assets(2)	1.3	1.5	1.9	3.9	5.1	7.1	7.5
24	Government of Canada holdings of gold, foreign exchange and net IMF position	-	-	0.5	1.7	1.3	2.0	1.9
25	United States(2, 9)	0.7	0.9	0.9	1.0	1.3	2.6	3.0
26	United Kingdom(2, 9)	0.1	0.1	0.1	0.7	1.6	1.4	1.4
27	Other countries(2, 3)	0.5	0.5	0.4	0.5	0.9	1.1	1.2
28	Short-term receivables n.i.e.(4) .....	..	..	..	0.1	0.2	0.4	0.4
29	Gross assets	1.3(2)	1.5(2)	1.9(2)	4.0	5.3	7.5	7.9
Canadian net international indebtedness:								
30	Net liabilities	5.1(2)	6.5(2)	5.5(2)	4.2	4.0	10.0	11.8
31	Government of Canada holdings of gold, foreign exchange and net IMF position	-	-	- 0.5	- 1.7	- 1.3	- 2.0	- 1.9
32	United States(2, 9)	2.8	4.0	3.6	4.4	5.1	10.0	11.1
33	United Kingdom(2, 9)	2.6	2.8	2.5	1.1	0.2	1.4	1.6
34	Other countries(2, 3)	- 0.3	- 0.3	- 0.1	- 0.1	- 0.4	0.2	0.3
35	Short-term n.i.e.(4) .....	..	..	..	0.4	0.4	0.3	0.6

(1) For missing years see Table 12 in "The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965" (DBS Catalogue No. 67-505).

(2) Excludes short-term receivables and payables.

(3) Includes international investment agencies.

(4) Country distribution not available.

(5) Includes finance company obligations of \$0.9 billion in 1964 and 1965, \$1.1 billion in 1966 and \$1.0 billion in 1967.

(6) Includes medium-term non-marketable United States government securities acquired under the Columbia River Treaty arrangements.

(7) Includes export credits by government and private sectors less reserve against government inactive assets.

(8) Net external assets of the chartered banks of Canada amounted to \$370 million in 1926 and \$180 million in 1930.

(9) Excludes Government of Canada holdings of gold and foreign exchange.

r Revised.

TABLE 2. Canada's Official Holdings of Gold and United States Dollars, (1) 1954-67

No.	At end of	1939	1945	1949	1956	1957	1960
millions of U.S. dollars							
1	March .....	..	..	1,067.2	1,871.4	1,923.6	1,856.1
2	June .....	..	..	976.9	1,899.5	1,941.8	1,773.9
3	September .....	..	..	985.3	1,903.5	1,889.9	1,813.0
4	December	404.2	1,508.0	1,117.1	1,936.2	1,828.3	1,829.2

(1) Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other government accounts and net holdings of the Bank of Canada.

TABLE 1. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-67(1)

1960	1961	1962	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967	No.
billions of dollars								
12.9	13.7	14.7	15.5	16.0*	17.4	19.0	20.7	1
3.3	3.4	3.7	4.2	4.7	5.0	5.2	5.8	2
4.6	4.7	4.7	4.7	4.8	5.1	5.7	5.8	3
1.4	1.7	1.8	1.8	2.1	2.2	2.3	2.4	4
22.2	23.6	24.9	26.2	27.5	29.6	32.1	34.7	5
1.1	1.2	1.3	1.4	1.5	1.6	1.6	1.7	6
0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	7
24.0	25.4	26.8	28.2	29.6	31.8	34.3	37.1	8
18.0	19.3	20.6	22.1	23.1	25.0	27.4	29.7	9
3.5	3.5	3.6	3.5	3.6	3.7	3.7	3.8	10
2.4	2.5	2.6	2.6	2.8	3.1	3.2	3.6	11
1.6	1.9	2.0	2.3	3.2(5)	3.4(5)	3.6(5)	3.1(5)	12
25.6	27.3	28.8	30.5	32.8	35.2	37.9	40.2	13
2.5	2.6	2.8	3.1	3.3	3.5	3.7	4.0	14
1.3	1.4	1.6	1.7	1.8	1.9	2.2	2.6	15
1.5	1.4	1.3	1.3	1.5(6)	1.5(6)	1.5(6)	1.4(6)	16
0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	17
-	0.1	0.2	0.3	0.4	0.6	0.7	0.7	18
5.3	5.7	6.1	6.4	7.1	7.6	8.3	8.9	19
1.8	2.2	2.7	2.8	2.9	2.9	2.4	2.5	20
0.2	0.2	- 0.1	- 0.1	0.2	0.4	0.5	0.5	21
1.2	1.1	1.0	1.3	1.8	1.7	2.4	2.7	22
8.5	9.1	9.7	10.5	12.0	12.5	13.6	14.5	23
2.0	2.4	2.6	2.8	2.7	3.3	2.9	2.9	24
3.7	3.8	4.0	4.5	4.7	5.6	6.6	7.3	25
1.5	1.5	1.6	1.9	2.6	2.2	2.2	2.4	26
1.3	1.4	1.5	1.2	1.6	1.5	1.9	2.0	27
0.5	0.5	0.5	0.5	0.4	0.3	0.3	0.5	28
8.9	9.6	10.1	10.9	12.4	12.9	13.9	15.0	29
16.6	17.7	18.7	19.6	20.4	22.4	24.1	25.2	30
- 2.0	- 2.4	- 2.6	- 2.8	- 2.7	- 3.3	- 2.9	- 2.9	31
14.3	15.5	16.7	17.5	18.4	19.4	20.8	22.9	32
2.0	2.0	2.0*	1.6	1.0	1.6	1.6	1.4	33
1.1	1.1	1.1	1.4	1.2	1.6	1.3	1.6	24
1.1	1.4	1.6	1.8	2.8	3.0	3.3	2.7	35

* New series not strictly comparable with earlier years.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Arabic numbers (without parentheses) refer to tables with further detail.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of other countries.

TABLE 2. Canada's Official Holdings of Gold and United States Dollars, (1) 1954-67

1961	1962	1963	1964	1965	1966	1967	No.
millions of U.S. dollars							
1,934.9	1,709.4	2,600.1	2,465.5	2,554.1	2,509.8	2,203.4	1
1,985.2	1,808.7(2)	2,691.6	2,533.9	2,480.1	2,341.8	2,168.7	2
1,924.3	2,444.6(2)	2,568.3	2,624.5	2,614.1	2,244.3	2,220.8	3
2,055.8	2,539.4(2)	2,595.0	2,674.3	2,664.5	2,235.9	2,267.8	4

(2) Includes some funds representing special international financial assistance in the form of central bank swaps and/or net IMF drawings.

TABLE 3. Canadian Long-term Investments Abroad, (1) Selected Year Ends, 1926-67 (2)

No.	Location and year	Direct Investment in branches, subsidiaries and controlled companies					Total direct investment
		Railways and utilities	Manufacturing and merchandising	Mining and petroleum	Other concerns		
		millions of dollars					
	In all countries:						
1	1926 .....	..	..	..	..		397
2	1930 .....	..	..	..	..		443
3	1939	249	289	123	10		671*
4	1945	239	337	138	6		720
5	1949	276	553	91	6		926
6	1956	418	1,106	340	27		1,891
7	1957	425	1,198	410	40		2,073
8	1960	456	1,482	445	84		2,467
9	1961	484	1,566	414	132		2,596
10	1962	455*	1,769	426	134		2,784
11	1963	478	1,892	510	202		3,082
12	1964	472	2,061	499	240		3,272
13	1965 ^r	517	2,163	488	301		3,469
14	1966 ^r	546	2,353	478	334		3,711
15	1967 ^r	555	2,586	510	379		4,030
	In the United States:						
16	1939	211	176	21	4		412
17	1945	212	214	25	4		455
18	1949	247	413	58	3		721
19	1956	378	804	190	22		1,394
20	1957	380	833	206	32		1,451
21	1960	374	971	209	64		1,618
22	1961	400	1,018	208	98		1,724
23	1962	411	1,092	188	95		1,786
24	1963	418	1,108	262	134		1,922
25	1964	402	1,158	239	168		1,967
26	1965	423	1,192	250	176		2,041
27	1966	430	1,283	206	181		2,100
28	1967	440	1,399	190	161		2,190
	In the United Kingdom:						
29	1939	-	53	-	6		59
30	1945	-	53	-	1		54
31	1949	-	58	-	1		59
32	1956	3	135	-	1		139
33	1957	3	168	-	1		172
34	1960	14	240	-	3		257
35	1961	12	271	-	5		288
36	1962	9*	327	-	8		344
37	1963	9	367*	-	16		392
38	1964	8	406	1	16		431
39	1965 ^r	10	447	3	22		482
40	1966 ^r	9	494	7	31		541
41	1967 ^r	5	476	7	27		515
	In other Commonwealth countries(5):						
42	1939	7	30	17	-		54
43	1945	7	34	28	-		69
44	1949	6	51	19	-		76
45	1956	8	85	98	-		191
46	1957	8	93	131	3		235
47	1960	10	121	156	12		299
48	1961	15	95	145	24		279
49	1962	16	132	162	26		336
50	1963	17	149	163	48		377
51	1964	26	186	164	50		426
52	1965	34	193	142	84		453
53	1966	54	206	153	92		505
54	1967	49	237	191	136		613
	In other foreign countries:						
55	1939	31	30	85	-		146
56	1945	20	36	85	1		142
57	1949	23	31	14	2		70
58	1956	29	82	52	4		167
59	1957	34	104	73	4		215
60	1960	58	150	80	5		293
61	1961	57	182	61	5		305
62	1962	19*	218	76	5		318
63	1963	34	268	85	4		391
64	1964	36	311	95	6		448
65	1965	50	331	93	19		493
66	1966	53	370	112	30		565
67	1967	61	474	122	55		712

(1) Figures exclude investments of insurance companies and banks (held mainly against liabilities to non-residents), subscriptions to international investment agencies (Table 1), and miscellaneous investments (Table 1). Figures include the equity of non-residents in assets abroad of Canadian companies (Table 1). (2) For years 1949 to 1955 see Table VII, "The Canadian Balance of International Payments, 1961 and 1962 and International Investment Position" and for years 1958 and 1959 see Table VII, "The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position" Catalogue No. 67-201.

TABLE 3. Canadian Long-term Investments Abroad(1), Selected Year Ends, 1926-67(2)

Portfolio investment in foreign securities			Total private long-term investments abroad	Government of Canada credits	Total	No.
Stocks	Bonds	Total portfolio investment				
millions of dollars						
..	..	493	890	36	926	1
..	..	789	1,232	31	1,263	2
511	208	719*	1,390	31	1,421	3
454	167	621	1,341	707	2,048	4
477	161	638	1,564	2,000	3,564	5
785	221	1,006	2,897	1,587	4,484	6
811	257	1,068	3,141	1,560	4,701	7
1,050	265	1,315	3,782	1,462	5,244	8
1,167	276	1,443	4,039	1,424	5,463	9
1,370	273	1,643	4,427	1,301	5,728	10
1,426	266	1,692	4,774	1,285	6,059	11
1,504	275	1,779	5,051	1,517	6,568	12
1,617	280	1,897	5,366	1,495	6,861	13
1,866	372	2,238	5,949	1,451	7,400	14
2,094	472	2,566	6,596	1,406	8,002	15
380	121	501	913	-	913	16
317	92	409	864	-	864	17
345	98	443	1,164	-	1,164	18
569	84	653	2,047	-	2,047	19
593	118	711	2,162	-	2,162	20
827	120	947	2,565	-	2,565	21
916	119	1,035	2,759	-	2,759	22
1,060	111	1,171	2,957	-	2,957	23
1,116	101	1,217	3,139	-	3,139	24
1,200	103	1,303	3,270	219(3)	3,489	25
1,309	99	1,408	3,449	187(3)	3,636	26
1,559	143	1,702	3,802	156(3)	3,958	27
1,779	188	1,967	4,157	123(3)	4,280	28
22	21	43	102	-	102	29
26	27	53	107	561	668	30
21	19	40	99	1,434	1,533	31
30	16	46	185	1,179(4)	1,364	32
33	15	48	220	1,171(4)	1,391	33
26	16	42	299	1,092(4)	1,391	34
43	16	59	347	1,074(4)	1,421	35
47	16	63	407	1,057(4)	1,464	36
48	16	64	456	1,039(4)	1,495	37
50	15	65	496	1,059(4)	1,555	38
53	15	68	550	1,078(4)	1,628	39
51	13	64	605	1,059(4)	1,664	40
52	15	67	582	1,040(4)	1,622	41
7	15	22	76	-	76	42
7	12	19	88	-	88	43
6	8	14	90	-	90	44
7	21	28	219	-	219	45
7	21	28	263	-	263	46
10	18	28	327	35	362	47
11	30	41	320	30	350	48
12	31	43	379	25	404	49
12	29	41	418	29	447	50
13	32	45	471	25	496	51
14	31	45	498	19	517	52
15	29	44	549	27	576	53
13	27	40	653	36	689	54
102	51	153	299	31	330	55
104	36	140	282	146	428	56
105	36	141	211	566	777	57
179	100	279	446	408	854	58
178	103	281	496	389	885	59
187	111	298	591	335	926	60
197	111	308	613	320	933	61
251	115	366	684	219(6)	903	62
250	120	370	761	217(6)	978	63
241	125	366	814	214(6)	1,028	64
241	135	376	869	211(6)	1,080	65
241	187	428	993	209(6)	1,202	66
250	242	492	1,204	207(6)	1,411	67

(3) Medium-term non-marketable United States government securities acquired under the Columbia River Treaty arrangements.
 (4) Includes deferred interest amounting to \$22 million in 1956, to \$44 million in 1957 through 1963, to \$64 million in 1964, to \$83 million in 1965, 1966 and 1967. (5) Includes investments in Newfoundland prior to 1949. (6) Includes \$7 million United Nations bonds in 1962 and 1963, and \$6 million in 1964, 1965, 1966 and 1967. † Revised. * New series not strictly comparable with earlier years.

TABLE 4. Foreign Long-term Investments in Canada, Selected Year Ends, 1945-67
Classification by type of assets and nature of national ownership

No.	Type of Asset and Nature of Ownership	A. Owned by all non-residents							
		1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967
		millions of dollars							
	<u>By type of assets</u>								
	Bonds and debentures:								
1	Government(1)	1,662	2,326	3,269	4,207	4,682	4,961	5,153	5,813
2	Railways	843	480	499	485	510	522	554	551
3	Other corporations	561	1,963	2,309	2,868	3,064	3,604	4,132	4,313
4	Sub-totals.....	3,066	4,769	6,077	7,560	8,256	9,087	9,839	10,677
5	Capital stock of Canadian companies	3,194	8,875	10,480	12,074	12,737	13,621	14,599	15,718
6	Other corporation assets(2)	548	2,686	3,965	4,678	4,382	4,724	5,388	5,876
7	Income accumulating investment funds ...	-	255	264	122	42	-	-	-
8	Miscellaneous investments	284	879	1,428	1,771	2,057	2,171	2,264	2,431
9	Total investments	7,092	17,464	22,214	26,205	27,474	29,603	32,090	34,702
	<u>By nature of national ownership</u>								
	I. Direct investments (controlled in country of ownership):								
	Bonds and debentures:								
10	Railways	46	32	14	4	4	4	3	3
11	Other corporations	281	1,075	1,211	1,614	1,567	1,725	1,847	1,931
12	Sub-totals	327	1,107	1,225	1,618	1,571	1,729	1,850	1,934
13	Capital stock of Canadian companies	1,860	6,398	7,839	9,586	10,300	11,176	12,072	13,201
14	Other corporation assets(2)	526	2,624	3,808	4,298	4,090*	4,451	5,086	5,564
15	Total direct investments	2,713	10,129	12,872	15,502	15,961*	17,356	19,008	20,699
16	II. Government bonds(1)	1,662	2,326	3,269	4,207	4,682	4,961	5,153	5,813
	III. Other portfolio investments (not controlled in country of owner- ship):								
	Bonds and debentures:								
	Railways:								
17	Controlled in Canada	795	447	483	480	505	517	551	548
18	Controlled in other countries	2	1	2	1	1	1	-	-
	Other corporations:								
19	Controlled in Canada	220	618	809	981	1,149	1,554	1,831	1,920
20	Controlled in other countries	60	270	289	273	348	325	454	462
21	Sub-totals	1,077	1,336	1,583	1,735	2,003	2,397	2,836	2,930
	Capital stock of Canadian companies:								
22	Companies controlled in Canada ..	1,249	2,228	2,340	2,191	2,131	2,125	2,163	2,064
23	Companies controlled in other countries	85	249	301	297	306	320	364	453
	Other corporation assets(2):								
24	Companies controlled in Canada ..	16	46	129	326	195	169	154	176
25	Companies controlled in other countries	6	16	28	54	97	104	148	136
26	Income accumulating investment funds	-	255	264	122	42	-	-	-
27	Total other portfolio invest- ments	2,433	4,130	4,645	4,725	4,774	5,115	5,665	5,759
	IV. Miscellaneous investments:								
28	Real estate, mortgages, assets ad- ministered for non-residents, pri- vate investment companies, etc. ..	284	879	1,428	1,771	2,057	2,171	2,264	2,431
	<u>SUMMARY</u>								
29	I. Direct investments	2,713	10,129	12,872	15,502	15,961*	17,356	19,008	20,699
30	II. Government bonds	1,662	2,326	3,269	4,207	4,682	4,961	5,153	5,813
31	III. Other portfolio investments	2,433	4,130	4,645	4,725	4,774	5,115	5,665	5,759
32	IV. Miscellaneous investments	284	879	1,428	1,771	2,057	2,171	2,264	2,431
33	Total investments	7,092	17,464	22,214	26,205	27,474	27,603	32,090	34,702

See footnotes at end of table.

TABLE 4. Foreign Long-term Investments in Canada, Selected Year Ends, 1945-67
Classification by type of assets and nature of national ownership

B. Owned in United States								No.
1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967	
millions of dollars								
1,450	2,061	2,903	3,869	4,336	4,614	4,832	5,460	1
495	166	152	153	159	156	196	203	2
414	1,666	1,980	2,593	2,792	3,349	3,857	4,030	3
2,359	3,893	5,035	6,615	7,287	8,119	8,885	9,693	4
2,088	6,328	7,472	8,960	9,502	10,149	11,020	11,955	5
413	2,299	3,294	3,915	3,477	3,766	4,381	4,792	6
-	255	264	122	42	-	-	-	7
130	489	653	925	1,250	1,355	1,437	1,590	8
4,990	13,264	16,718	20,537	21,558	23,389	25,723	28,030	9
38	28	10	1	1	1	1	1	10
254	1,004	1,116	1,530	1,469	1,636	1,752	1,830	11
292	1,032	1,126	1,531	1,470	1,637	1,753	1,831	12
1,613	5,196	6,263*	7,663	8,234	8,867	9,672	10,632	13
399	2,244	3,160*	3,591	3,255*	3,555	4,145	4,537	14
2,304	8,472	10,549	12,785	12,959*	14,059	15,570	17,000	15
1,450	2,061	2,903	3,869	4,336	4,614	4,832	5,460	16
457	138	141	151	157	154	195	202	17
-	-	1	1	1	1	-	-	18
158	555	749	955	1,124	1,516	1,790	1,890	19
2	107	115	108	199	197	315	310	20
617	800	1,006	1,215	1,481	1,868	2,300	2,402	21
462	1,058	1,104	1,198	1,163	1,165	1,211	1,178	22
13	74	105	99	105	117	137	145	23
13	43	117	283	135	119	110	143	24
1	12	17	41	87	92	126	112	25
-	255	264	122	42	-	-	-	26
1,106	2,242	2,613	2,958	3,013	3,361	3,884	3,980	27
130	489	653	925	1,250	1,355	1,437	1,590	28
2,304	8,472	10,549	12,785	12,959*	14,059	15,570	17,000	29
1,450	2,061	2,903	3,869	4,336	4,614	4,832	5,460	30
1,106	2,242	2,613	2,958	3,013	3,361	3,884	3,980	31
130	489	653	925	1,250	1,355	1,437	1,590	32
4,990	13,264	16,718	20,537	21,558	23,389	25,723	28,030	33

TABLE 4. Foreign Long-term Investments in Canada, Selected Year Ends, 1945-67 - Concluded
Classification by type of assets and nature of national ownership

No.	Long-term investments in Canada	C. Owned in United Kingdom							
		1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967
		millions of dollars							
	<u>By type of assets</u>								
	Bonds and debentures:								
1	Government(1)	157	145	127	121	111	100	108	131
2	Railways	316	290	290	259	260	263	259	258
3	Other corporations	116	200	214	177	172	159	158	158
4	Sub-totals	589	635	631	557	543	522	525	547
5	Capital stock of Canadian companies	973	1,835	2,078	2,036	2,094	2,157	2,184	2,211
6	Other corporation assets(2)	103	270	439	539	620	639	609	627
7	Miscellaneous investments	85	177	211	216	203	194	200	191
8	Total investments	1,750	2,917	3,359	3,348	3,460	3,512	3,518	3,576
	<u>By nature of national ownership</u>								
	I. Direct investments (controlled in country of ownership):								
	Bonds and debentures:								
9	Railways	8	4	4	3	3	3	2	2
10	Other corporations	13	42	46	24	35	31	30	22
11	Sub-totals	21	46	50	27	38	34	32	24
12	Capital stock of Canadian companies	226	850	1,057*	1,239	1,325	1,401	1,440	1,528
13	Other corporation assets(2)	101	267	428*	495	570	598	574	600
14	Total direct investments	348	1,163	1,535	1,761	1,933	2,033	2,046	2,152
15	II. Government bonds(1)	157	145	127	121	111	100	108	131
	III. Other portfolio investments (not controlled in country of owner- ship):								
	Bonds and debentures:								
	Railways:								
16	Controlled in Canada	306	285	285	256	257	260	257	256
17	Controlled in other countries ..	2	1	1	-	-	-	-	-
	Other corporations:								
18	Controlled in Canada	46	20	19	5	5	6	5	9
19	Controlled in other countries ..	57	138	149	148	132	122	123	127
20	Sub-totals	411	444	454	409	394	388	385	392
	Capital stock of Canadian com- panies:								
21	Companies controlled in Canada ..	691	910	924	708	676	663	643	561
22	Companies controlled in other countries	56	75	97	89	93	93	101	122
	Other corporation assets(2):								
23	Companies controlled in Canada ..	2	2	5	36	48	38	31	19
24	Companies controlled in other countries	-	1	6	8	2	3	4	8
25	Total other portfolio invest- ments	1,160	1,432	1,486	1,250	1,213	1,185	1,164	1,102
26	IV. Miscellaneous investments Read estate, mortgages, assets administered for non-resi- dents, private investment companies, etc.	85	177	211	216	203	194	200	191
	<u>SUMMARY</u>								
27	I. Direct investments	348	1,163	1,535	1,761	1,933	2,033	2,046	2,152
28	II. Government bonds	157	145	127	121	111	100	108	131
29	III. Other portfolio investments	1,160	1,432	1,486	1,250	1,213	1,185	1,164	1,102
30	IV. Miscellaneous investments	85	177	211	216	203	194	200	191
31	Total investments	1,750	2,917	3,359	3,348	3,460	3,512	3,518	3,576

(1) For division into Government of Canada, provincial and municipal, see Table 5. (2) Includes net assets of unincorporated branches and other long-term investments.

TABLE 4. Foreign Long-term Investments in Canada, Selected Year Ends, 1945-67 - Concluded
Classification by type of assets and nature of national ownership

D. Owned in all other countries								No.
1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967	
millions of dollars								
55	120	239	217	235	247	214	222	1
32	24	57	73	91	103	99	90	2
31	97	115	98	100	96	117	125	3
118	241	411	388	426	446	430	437	4
133	712	930	1,078	1,141	1,315	1,395	1,552	5
32	117	232	224	285	319	398	457	6
69	213	564	630	604	622	627	650	7
352	1,283	2,137	2,320	2,456	2,702	2,850	3,096	8
-	-	-	-	-	-	-	-	9
14	29	49	60	63	58	65	79	10
14	29	49	60	63	58	65	79	11
21	352	519 ⁺	684	741	908	960	1,041	12
26	113	220 ⁺	212	265	298	367	427	13
61	494	788	956	1,069	1,264	1,392	1,547	14
55	120	239	217	235	247	214	222	15
32	24	57	73	91	103	99	90	16
-	-	-	-	-	-	-	-	17
16	43	41	21	20	32	36	21	18
1	25	25	17	17	6	16	25	19
49	92	123	111	128	141	151	136	20
96	260	312	285	292	297	309	325	21
16	100	99	109	108	110	126	186	22
1	1	7	7	12	12	13	14	23
5	3	5	5	8	9	18	16	24
167	456	546	517	548	569	617	677	25
69	213	564	630	604	622	627	650	26
61	494	788	956	1,069	1,264	1,392	1,547	27
55	120	239	217	235	247	214	222	28
167	456	546	517	548	569	617	677	29
69	213	564	630	604	622	627	650	30
352	1,283	2,137	2,320	2,456	2,702	2,850	3,096	31

TABLE 5. Foreign Long-term Investments in Canada, Selected Year Ends, 1945-67
Classification by type of investment

No.	Type of investment	A. Owned by all non-residents						
		1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r
		millions of dollars						
	Government securities:							
1	Dominion	726	501	611	900	897	880	649
2	Provincial	624	1,165	1,632	2,216	2,564	2,828	3,171
3	Municipal	312	660	1,026	1,091	1,221	1,253	1,334
4	Sub-totals	1,662	2,326	3,269	4,207	4,682	4,961	5,154
	Manufacturing:							
5	Vegetable products	268	577	720	833	830	889	911
6	Animal products	61	108	132	161	169	198	228
7	Textiles	83	128	141	146	150	166	180
8	Wood and paper products	455	1,166	1,315	1,549	1,722	1,907	2,195
9	Iron and products	319	1,198	1,580	1,810	1,970	2,226	2,445
10	Non-ferrous metals	274	1,031	1,155	1,213	1,191	1,301	1,428
11	Non-metallic minerals	57	179	276	319	319	311	358
12	Chemicals and allied products	169	582	698	943	1,095	1,232	1,378
13	Miscellaneous manufactures	37	82	98	123	134	150	156
14	Sub-totals (excluding petroleum refining)	1,723	5,051	6,115	7,097	7,580	8,380	9,279
15	Petroleum and natural gas	160	2,849	3,727	4,749	4,854	5,268	5,719
16	Other mining and smelting	356	1,570	1,977	2,322	2,442	2,557	2,872
	Public utilities:							
17	Railways	1,599	1,396	1,406	1,174	1,105	1,040	1,055
18	Other (excluding pipelines and public enterprises)	493	661	743	591	605	667	758
19	Sub-totals	2,092	2,057	2,149	1,765	1,710	1,707	1,813
20	Merchandising	220	715	872	1,017	1,092	1,198	1,297
21	Financial	525	1,782	2,380	2,914	2,650	2,876	3,134
22	Other enterprises	70	235	297	363	407	485	559
23	Miscellaneous investments	284	879	1,428	1,771	2,057	2,171	2,264
24	Total investments	7,092	17,464	22,214	26,205	27,474	29,603	32,091
		C. Owned in United Kingdom						
		1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r
		millions of dollars						
	Government securities:							
25	Dominion	—	64	48	34	21	10	9
26	Provincial	45	47	47	58	60	62	73
27	Municipal	112	34	32	29	30	28	28
28	Sub-totals	157	145	127	121	111	100	108
	Manufacturing:							
29	Vegetable products	66	125	137	155	153	151	157
30	Animal products	6	6	8	7	6	8	10
31	Textiles	38	55	55	46	47	44	47
32	Wood and paper products	64	160	167	180	243	234	246
33	Iron and products	12	168	201	203	203	205	200
34	Non-ferrous metals	64	192	188	184	182	182	188
35	Non-metallic minerals	8	34	55	66	49	50	38
36	Chemicals and allied products	36	142	169	181	182	187	192
37	Miscellaneous manufactures	2	5	5	6	6	6	5
38	Sub-totals (excluding petroleum refining)	296	887	985	1,028	1,071	1,067	1,083
39	Petroleum and natural gas	7	108	270*	392	451	543	542
40	Other mining and smelting	60	162	152	162	210	198	209
	Public utilities:							
41	Railways	806	784	755	555	500	476	467
42	Other (excluding pipelines and public enterprises)	90	112	125	54	24	24	29
43	Sub-totals	896	896	880	609	524	500	496
44	Merchandising	57	174	214	260	571	281	289
45	Financial	186	332	469	514	561	567	524
46	Other enterprises	6	36	51	46	58	61	67
47	Miscellaneous investments	85	177	211	216	203	194	200
48	Total investments	1,750	2,917	3,359	3,348	3,460	3,512	3,518

TABLE 5. Foreign Long-term Investments in Canada, Selected Year Ends, 1945-67
Classification by type of investment

B. Owned in United States								No.
1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967	
millions of dollars								
682	342	382	696	690	675	486	395	1
574	1,099	1,544	2,126	2,470	2,729	3,056	3,672	2
194	620	977	1,047	1,176	1,210	1,290	1,393	3
1,450	2,061	2,903	3,869	4,336	4,614	4,832	5,460	4
199	440	551	153	652	713	734	802	5
47	96	118	148	153	180	205	215	6
41	71	84	98	101	118	129	142	7
383	986	1,116	1,329	1,441	1,632	1,891	1,994	8
297	971	1,286	1,501	1,661	1,906	2,124	2,398	9
209	813	928	996	970	1,095	1,188	1,317	10
48	111	151	172	181	183	234	262	11
124	418	492	717	853	977	1,133	1,186	12
34	76	92	116	127	143	150	165	13
1,382	3,982	4,818	5,729	6,139	6,047	7,788	8,481	14
152	570	3,184*	3,975	4,016	4,223	4,656	4,905	15
277	1,307	1,701	2,028	2,085	2,196	2,464	2,656	16
720	489	479	456	440	399	427	440	17
374	471	551	506	554	620	703	750	18
1,094	960	1,030	962	994	1,019	1,130	1,190	19
158	508	608	700	738	822	913	1,007	20
285	1,202	1,587	2,054	1,673	1,817	2,040	2,241	21
62	185	234	295	327	396	463	500	22
130	489	653	925	1,250	1,355	1,437	1,590	23
4,990	13,264	16,718	20,537	21,558	23,389	25,723	28,030	24
D. Owned in all other countries								
1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967	
millions of dollars								
44	95	181	170	186	195	156	149	25
5	19	41	32	34	37	42	57	26
6	6	17	15	15	15	16	16	27
55	120	239	217	235	247	214	222	28
3	12	32	25	25	25	20	23	29
8	6	6	7	10	10	13	14	30
4	2	2	2	2	4	4	5	31
8	20	32	40	33	46	58	67	32
10	59	93	106	106	115	121	118	33
1	26	39	33	39	44	52	65	34
1	34	70	81	89	78	86	90	35
9	22	37	45	60	48	53	58	36
1	1	1	1	1	1	1	1	37
45	182	312	340	370	366	408	441	38
1	171	273*	382	387	502	521	550	39
19	101	124	132	147	162	199	279	40
73	123	172	163	165	165	161	156	41
29	78	67	31	27	23	26	26	42
102	201	239	194	192	188	187	182	43
5	33	50	57	83	95	95	117	44
54	248	324	346	416	492	570	619	45
2	14	12	22	22	28	29	36	46
69	213	564	630	604	622	627	650	47
352	1,283	2,137	2,320	2,456	2,702	2,850	3,096	48

TABLE 6. Foreign Direct Investment(1) in Canada, Selected Year Ends, 1945-67
Classification by type of business

No. Type of business		A. Owned by all non-residents							
		1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967
millions of dollars									
	Manufacturing:								
1	Vegetable products	200	492	637	745	740	793	822	899
2	Animal products	47	98	122	153	160	188	212	223
3	Textiles	56	108	118	128	130	141	155	167
4	Wood and paper products	348	924	1,033	1,190	1,307	1,423	1,534	1,618
5	Iron and products	277	1,089	1,441	1,738	1,793	2,008	2,181	2,469
6	Non-ferrous metals	211	867	983	1,036	1,014	1,118	1,234	1,369
7	Non-metallic minerals	43	157	240	273	271	261	287	314
8	Chemicals and allied products	144	561	671	825	1,045	1,175	1,316	1,373
9	Miscellaneous manufactures	33	80	97	121	131	148	154	167
10	Sub-totals (excluding petroleum refining)	1,359	4,376	5,342	6,209	6,591	7,255	7,890	8,599
11	Petroleum and natural gas	141	2,559	3,313	4,158	4,251	4,600	5,012	5,269
12	Other mining and smelting	237	1,044	1,439	1,736	1,888	2,017	2,279	2,547
13	Utilities (excluding pipelines)	375	286	285	300	301	301	318	344
14	Merchandising	202	621	757	898	968	1,061	1,132	1,252
15	Financial	339	1,026	1,464	1,874	1,600	1,694	1,889	2,170
16	Other enterprises	60	217	272	377	362	428	488	518
17	Totals	2,713	10,129	12,872	15,502	15,961	17,356	19,008	20,699
C. Owned in United Kingdom									
		1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967
millions of dollars									
	Manufacturing:								
18	Vegetable products	60	110	124	148	146	145	152	157
19	Animal products	3	5	6	7	6	8	9	10
20	Textiles	26	46	45	39	39	42	45	46
21	Wood and paper products	30	125	138	133	193	184	190	181
22	Iron and products	4	147	185	187	185	186	179	193
23	Non-ferrous metals	8	61	65	62	59	58	64	71
24	Non-metallic minerals	4	26	38	48	31	25	22	22
25	Chemicals and allied products	19	139	162	176	178	183	186	186
26	Miscellaneous manufactures	2	4	5	5	4	5	5	4
27	Sub-totals (excluding petroleum refining)	156	663	768	805	841	836	852	870
28	Petroleum and natural gas	—	64	208*	335	391	488	476	477
29	Other mining and smelting	22	68	66	63	104	100	111	123
30	Utilities (excluding pipelines)	16	37	40	33	14	14	14	21
31	Merchandising	51	167	208	255	265	274	283	304
32	Financial	98	131	198	227	262	262	248	293
33	Other enterprises	5	33	47	43	56	59	62	64
34	Totals	348	1,163	1,535	1,761	1,933	2,033	2,046	2,152

(1) Direct investment covers investment in branches, subsidiaries and controlled companies; the figures are part of the totals in Tables 4 and 5.

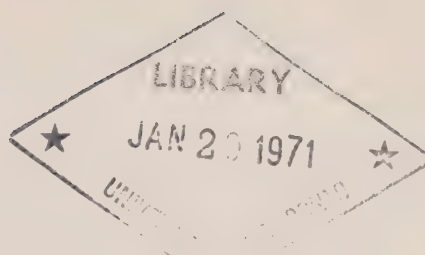
TABLE 6. Foreign Direct Investment(1) in Canada, Selected Year Ends, 1945-67
Classification by type of business

B. Owned in United States								No.
1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967	
millions of dollars								
140	375	488	581	576	628	656	723	1
44	89	111	141	148	174	196	206	2
28	62	72	88	80	97	108	119	3
316	798	886	1,035	1,094	1,227	1,328	1,408	4
272	896	1,198	1,491	1,556	1,763	1,942	2,221	5
203	789	890	950	924	1,027	1,132	1,255	6
39	101	134	146	153	159	175	205	7
118	405	478	608	811	950	1,084	1,138	8
31	75	91	115	126	142	148	162	9
1,191	3,590	4,348	5,155	5,478	6,167	6,769	7,437	10
141	2,380	2,885*	3,489	3,521	3,653	4,062	4,290	11
215	971	1,348	1,645	1,747	1,875	2,107	2,323	12
358	215	224	251	276	280	297	316	13
147	423	501	587	623	696	759	841	14
198	719	1,028	1,393	1,027	1,043	1,176	1,371	15
54	174	215	265	287	345	400	422	16
2,304	8,472	10,549	12,785	12,959	14,059	15,570	17,000	17
D. Owned in all other countries								
1945	1957	1960	1963 ^r	1964 ^r	1965 ^r	1966 ^r	1967	
millions of dollars								
—	7	25	16	18	20	14	19	18
—	4	5	5	6	6	7	7	19
2	—	1	1	1	2	2	2	20
2	1	9	22	20	12	16	29	21
1	46	58	60	52	59	60	55	22
—	17	28	24	31	33	38	43	23
—	30	68	79	87	77	85	87	24
7	17	31	41	56	42	46	49	25
—	1	1	1	1	1	1	1	26
12	123	226	249	272	252	269	292	27
—	115	220*	334	339	459	474	502	28
—	5	25*	28	37	42	61	101	29
1	34	21	16	11	7	7	7	30
4	31	48	56	80	91	90	107	31
43	176	238	254	311	389	465	506	32
1	10	10	19	19	24	26	32	33
61	494	788	956	1,069	1,264	1,392	1,547	34

CATALOGUE No.

67-001

QUARTERLY



SYSTEM OF NATIONAL ACCOUNTS

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER

1970

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REFERENCE PUBLICATIONS

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information	1.50
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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER 1970

The current account of the Canadian balance of international payments remained relatively strong in the third quarter of 1970 to produce a record surplus, unadjusted for seasonal variation, of \$468 million. The continued buoyancy of the merchandise trade account together with the normal third quarter swing to a surplus in the travel account were the principal factors accounting for the enlarged surplus.

Capital movements led to a net capital outflow of \$242 million, a swing of \$777 million from the second quarter inflow of \$535 million. Capital movements in long-term forms recorded a net inflow of \$153 million, a change of \$164 million from the small \$11 million outflow of the previous quarter. The main contributing factors to this change were increased sales of Canadian new issues abroad and sharply reduced outflows for the retirement of Canadian securities following the increase in the second quarter which resulted from the advanced redemption of some Canadian government lire debt. Partially offsetting these changes was a swing of about \$100 million in transactions in outstanding foreign securities as Canadians returned to being net buyers after several quarters of disinvestment. Capital movements in short-term forms led to a net outflow of \$395 million, a swing of almost \$950 million from the second quarter inflow. Recorded outflows to increase Canadian holdings of foreign currency bank balances and other short-term funds abroad rose from practically zero to almost \$440 million. This movement was augmented by declines in the inflows recorded for foreign investment in Canadian finance company paper and "other short-term capital transactions" and a swing of \$114 million as non-residents reduced their holdings of other finance company obligations by \$40 million.

Summary Statement

	1968	1969	1969		1970		
			III Q	IV Q	I Q	II Q	III Q
			millions of dollars				
Merchandise trade balance	+ 1,375	+ 887	+ 242	+ 301	+ 633	+ 663	+ 731
Balance on non-merchandise transactions	- 1,482	- 1,678	- 236	- 491	- 592	- 417	- 263
Current account balance	- 107	- 791	+ 6	- 190	+ 41	+ 246	+ 468
Capital movements in long-term forms ..	+ 1,654	+ 2,257	+ 596	+ 569	+ 655	- 11	+ 153
Capital movements in short-term forms	- 1,198	- 1,401	- 607	- 217	- 302	+ 546	- 395
Net capital movement(1)	+ 456	+ 856	- 11	+ 352	+ 353	+ 535	- 242
Allocation of Special Drawing Rights ..	...	...	...	...	+ 133	-	-
Net official monetary movements	+ 349	+ 65	- 5	+ 162	+ 527	+ 781	+ 226

(1) Excluding items shown below.

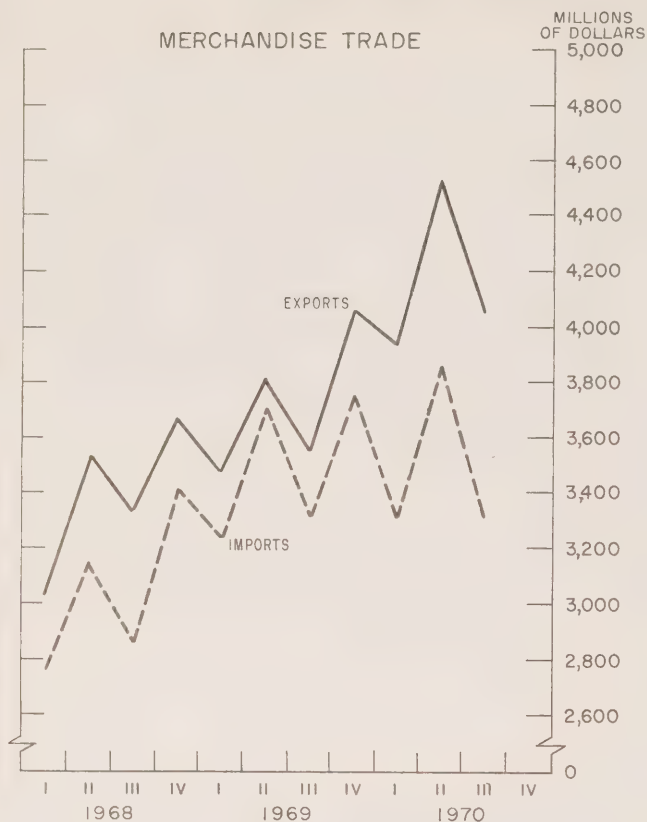
... Not applicable.

Official net monetary assets rose by \$226 million, a rate of accumulation considerably below those observed in the preceding two quarters. Holdings increased in July and August but there was a small decline in September. The July increase partly reflected foreign currency purchases carried out under commitments which were outstanding at the end of May when the Canadian dollar was unpegged.

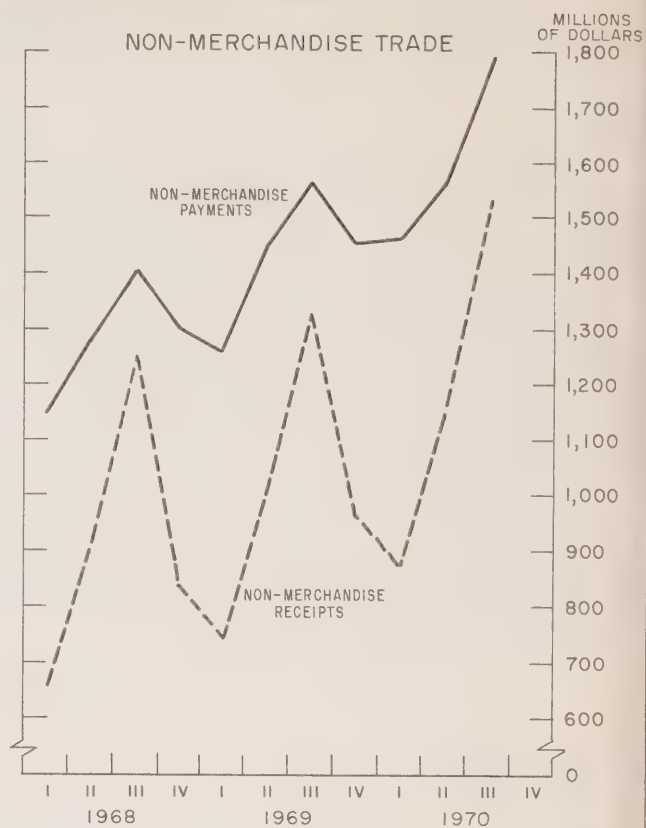
A slow rate of economic growth, increasing unemployment and a continuance of some inflationary pressures were all factors evident in the Canadian economy in the third quarter of 1970. In the face of this classically paradoxical situation the authorities moved towards encouraging more vitality in the economy and continued to ease monetary policy. The relatively better price performance due to the slowdown in the pace of inflation which was apparent earlier in the year was assisted by the floating of the Canadian dollar at the end of May and the consequent shift in price levels. The flexible exchange rate did not mean, however, that the authorities could concern themselves with the domestic situation without regard to external effects for, as the Governor of the Bank of Canada has pointed out, a Hobson's Choice could arise with "on the one hand a degree of monetary expansion which would

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

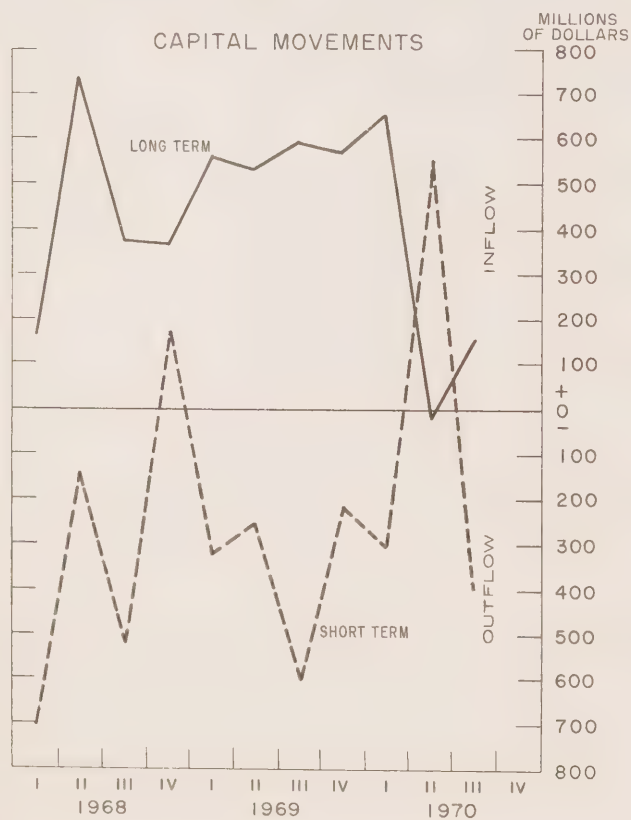
MERCHANDISE TRADE



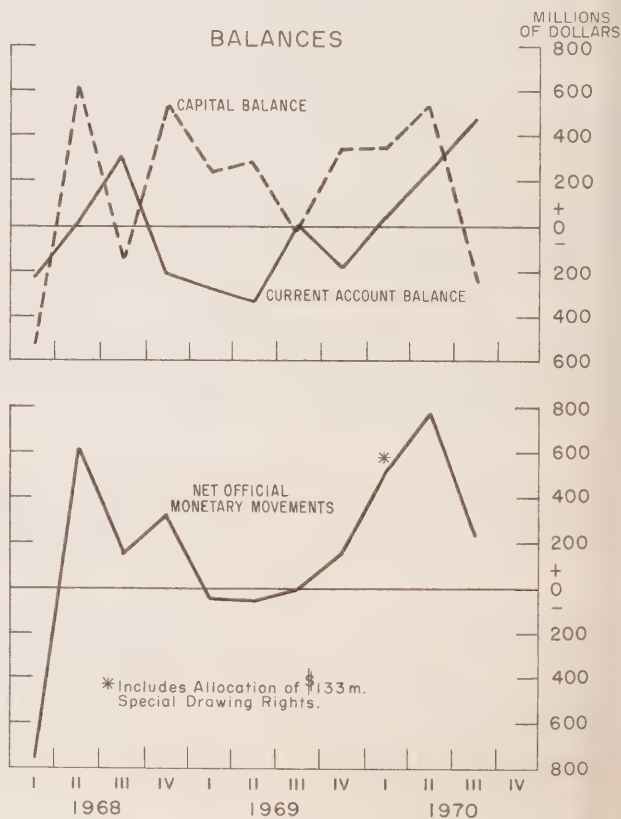
NON-MERCHANDISE TRADE



CAPITAL MOVEMENTS



BALANCES



* Includes Allocation of \$133 m. Special Drawing Rights.

risk triggering a fresh round of inflationary expectations, or on the other hand the financing of fiscal requirements by large sales of securities to the general public which might, through the effect on interest rates, attract excessive capital inflows and help to establish a market rate of exchange that was ill-suited to the economic requirements of the country"(1).

Merchandise Trade

In the first nine months of 1970 merchandise exports, rising at a rate of about 16 per cent over the corresponding period in 1969, reached a record nine-month figure of \$12,509 million. Merchandise imports, on the other hand, moved up by only just over 2 per cent to \$10,482 million. This performance of merchandise trade produced a striking trade surplus of \$2,027 million, equivalent to over three times that for the same period last year and over twice the surplus for the whole of 1969.

The impressive growth in merchandise exports was achieved in the face of a recessionary situation in the United States economy which, by far, represents Canada's major export market. The slowdown in the United States was reflected in a reduced growth rate of exports to that country so that the United States share of total exports fell by 5 percentage points from the first nine months of 1969.

The strength that has sustained Canada's exports this year has come from the booming economies of Europe and Japan with resource products being the main object of the intensified demand. Part of the increase in sales was due to the effects of work stoppages in the Canadian mineral industry which had reduced exports last year. In addition, however, the slowing pace of inflation in Canada relative to other countries might also have contributed to the growth of exports by giving manufacturers a price advantage for their products in overseas markets. Another source of strength for Canadian exports came from the developments in world wheat production and trade. Weather disasters in a number of producing areas including Eastern and Western Europe and Australia, together with a reduction in the wheat crop of the United States and increased demands by the U.S.S.R. and China led to exceptionally strong sales of wheat. In the first nine months of 1970 wheat shipments went up by 40 per cent over the same period in 1969 to about \$520 million, with sales to the U.S.S.R. and China increasing by 85 per cent.

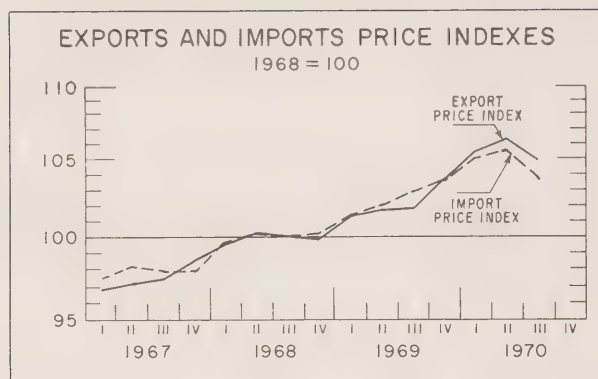
An improved performance was recorded in exports of iron ore, nickel, copper, petroleum and natural gas, steel and motor vehicle and aircraft parts. Exports of automobiles were influenced by the strike against General Motors Corporation which began in mid-September. The pervasive effects of this lengthy dispute will, of course, continue to be felt in the fourth quarter of this year. Sales of lumber were lower as a result of weakening in the construction industry in the United States.

The slow pace of the increase in imports has resulted from a general sluggishness in the domestic economy as indicated by some softness in the retail market, restrained business spending, increasing unemployment and a decline in manufacturing activity augmented by lower unit values for some imports following the floating of the dollar at the beginning of June. Imports of food and beverages, especially meat, sugar and coffee, and of crude materials, particularly petroleum and coal, increased by some 7 per cent each. Imports of manufactured commodities, despite significant increases in the imports of metalworking and pulp and paper machinery and of computers, increased only marginally. Imports of excavating and agricultural machinery, automobiles and motor vehicle engines and parts declined substantially. Imports of automobiles, engines and parts, which in total at the end of August were somewhat below 1969 levels, declined further in September reflecting in part the effects of the strike in General Motors' plants.

Adjustments made in the nine months to recorded trade for balance of payments purposes as shown in Table 6, included a net increase of \$18 million to exports mainly for wheat timing corrections. A deduction of \$72 million from imports reflected principally the elimination of automotive tooling charges which are recorded in services. The effect of these adjustments is to increase the recorded trade balance by \$90 million or 5 per cent.

New series of export and import price indexes on a 1968 base have been introduced by the Bureau to supersede the previous series which had 1948 as a reference base. It was considered that the earlier series no longer adequately reflected the current position in Canadian international trade due to the introduction of new products and changes in volume, values, patterns of commodity flows and direction of trade. The new price indexes show that average export prices over the first nine months of this year have risen by 3.7 per cent compared with the same period last year. There was, however, a slowdown in the rate of increase in the third quarter which at about 3 per cent was below the nine-month average and the first and second quarter over-the-year average increases of about 4.0 and 4.5 per cent,

(1) Remarks of Louis Rasminsky, Governor of the Bank of Canada, before a meeting of the Regina Chamber of Commerce, October 21, 1970.



respectively. On a quarter-to-quarter basis export prices dropped in the third quarter by 1.3 per cent. Average import prices increased by 2.5 per cent which was about the same rate as for the whole of 1969. The uninterrupted monthly rise in the import price index apparent in the first nine months of 1969 was not paralleled this year. Instead, due to the fall in unit import prices resulting from the higher value of the Canadian dollar, the index fell every month from June to September. The third quarter increase was therefore only about half a percentage point over the third quarter of 1969, and in the case of the end products group of commodities the level of import prices was below that in 1969.

Non-merchandise Transactions

In the first nine months of this year total non-merchandise receipts increased by 14 per cent to \$3,529 million. Non-merchandise payments rose by 12 per cent to \$4,801 million. The deficit on this part of the current account therefore went up by 7 per cent to \$1,272 million. The rise of \$85 million in the deficit for this period arose from increased deficits on service and transfer transactions of \$54 million and \$31 million, respectively.

The largest constituent of the increased deficit on service transactions was the rise in the negative balance on account of receipts and payments of interest and dividends which went up by about 18 per cent and moved from a deficit of \$625 million in the first nine months of 1969 to \$737 million in the corresponding period of 1970. This net change of \$112 million was accounted for by an increase of \$183 million in income payments which was partially offset by a \$71 million rise in income receipts. Increased profits of branch operations of foreign companies together with larger payments by Canadian incorporated subsidiaries to their parent companies in the United States were the most significant contributors to a rise of \$96 million in dividend payments. Most of this increase took place in the first and third quarters of 1970 while the second quarter showed a moderate rise of \$11 million.

As a result both of large sales in 1969 of new Canadian provincial and municipal bond issues and relatively high market interest rates, interest payments continued to rise steadily. The third quarter recorded an increase of \$30 million, bringing the total for the first nine months of 1970 to \$87 million above the comparable 1969 figure. Geographically, more than four fifths of the total interest payments in this period went to the United States. By far the greater part of the \$71 million increase in income receipts is attributable to the interest component which rose from \$100 million in the first three quarters of 1969 to \$157 million in the corresponding period of 1970. Most of this rise occurred in the second and third quarters reflecting higher earnings on official holdings of foreign exchange. (Interest on private holdings of foreign exchange is included with miscellaneous income). The net balance from receipts and payments of interest and dividends accounted for about 58 per cent of the deficit on non-merchandise transactions, some 2 percentage points higher than the corresponding proportion for 1969.

On the travel account the deficit increased by about 10 per cent to \$184 million. The increase in the deficit was due to a rise of over 44 per cent in net travel payments to overseas countries which more than offset a relatively substantial increase in net travel receipts from the United States. The largest increase in net payments took place in travel to the United Kingdom and Europe reflecting, in part, the rapid growth in air charter travel which has developed in recent years. The increase in net travel payments this year was also influenced by expenditures incurred by visitors to the 1970 World Exposition at Osaka, Japan.

Gold production available for export has this year fallen by about 15 per cent below last year's figure to \$73 million. For most of the period the free market price was only marginally above the official monetary price of US \$35 per ounce.

Partly offsetting the increased deficits on interest and dividends and on travel and the reduction in the gold production available for export, there was an improvement of \$87 million in the balance on freight and shipping transactions and "other services". The extraordinary upsurge in the

Interest and Dividends and Miscellaneous Income

Period	Receipts				
	Interest	Dividends	Sub-total	Miscellaneous income (1)	Grand total
millions of dollars					
1968	102	251	353	237	590
1969	161	253	414	433	847
1969 I Q	32	56	88	102	190
II Q	36	76	112	102	214
III Q	32	53	85	110	195
IV Q	61	68	129	119	248
1970 I Q	40	72	112	141	253
II Q	56	65	121	140	261
III Q	61	62	123	141	264

	Payments				
	Interest	Dividends	Sub-total	Miscellaneous income (1)	Grand total
1968	546	713	1,259	373	1,632
1969	649	696	1,345	459	1,804
1969 I Q	142	156	298	108	406
II Q	174	144	318	117	435
III Q	150	144	294	112	406
IV Q	183	252	435	122	557
1970 I Q	176	212	388	126	514
II Q	197	155	352	134	486
III Q	180	173	353	128	481

(1) In the main balance of payments tables, this is included in other service receipts and other service payments; it includes in addition to investment income, all services associated with international banking and insurance operations.

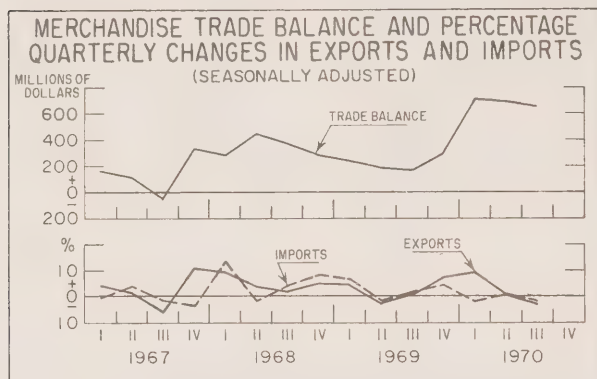
merchandise trade surplus has led to a swing in the balance on the freight and shipping account from a deficit of \$46 million to a surplus of \$26 million. The deficit on the "other services" item fell by 4 per cent to \$376 million. Within this account the increase in net government and business service payments which together rose by about \$40 million was more than offset by a swing of \$56 million in the balance on miscellaneous income, principally banking and insurance earnings and income on private holdings of foreign exchange.

Due to the increase in official contributions, the deficit on transfers rose by 72 per cent to \$74 million. The increase in the surplus on inheritances and migrants' funds, resulting from higher per capita inflows which outweighed the effects of a fall in the number of immigrants, was partially offset by an increase in net personal and institutional outflows. Official contributions which consist of international development assistance in the form of food and other commodities, services and cash grants, increased by 37 per cent to \$152 million from \$111 million in the corresponding period of 1969. Over 80 per cent of the increase occurred in the third quarter when official contributions rose to \$79 million from \$46 million in the third quarter of 1969. While about one half of the aid was disbursed under the international food aid program, mainly in the form of wheat shipments to India, there were also substantial grants to international organizations for multilateral assistance programs.

Current Account Transactions in the Third Quarter - Seasonally Adjusted

In the third quarter 1970 there was a reversal in the upward trend of the seasonally adjusted current account balance which had appeared in the fourth quarter of 1969. In the quarter the surplus declined by 46 per cent to \$167 million, the lowest quarterly surplus in 1970. The principal factors were an increase of 25 per cent in net non-merchandise payments which rose to \$482 million and a

reduction in the trade balance which at \$649 million was 6 per cent below the second quarter trade surplus. Total current receipts went down by about 2 per cent to \$5,323 million while total current payments edged up by 1 per cent to \$5,156 million.



Merchandise exports and imports, seasonally adjusted at quarterly rates, both declined marginally to \$4,158 million and \$3,509 million, respectively. The service transactions deficit widened by 19 per cent to \$440 million mainly as a result of an increase of \$70 million in net travel payments. Earnings on the travel account dipped by 8 per cent to \$288 million an amount equal to that of the fourth quarter of 1969 and the lowest level for the year while expenditure abroad by Canadian residents rose 13 per cent to another high of \$396 million. An impressive increase of 22 per cent in receipts of interest and dividends which went up to \$150 million was, however, overshadowed by an 8 per cent rise in payments to \$397 million. A 6 per cent reduction in the deficit on "other service transactions" was offset by the decreases in the balance on gold production available for export and on freight and shipping.

On transfers, slightly enlarged balances on inheritances and migrants' funds and personal and institutional remittances were offset by the substantial increase in official contributions which more than doubled to \$69 million. The deficit on transfers therefore soared to \$42 million, which is four times the average deficit over the previous nine quarters.

Transactions by Area

In transactions with the United States in the first nine months of 1970, with total current receipts climbing by 8 per cent to \$10,451 million and payments rising only 3 per cent to \$10,616 million, the current account deficit dropped by about 75 per cent from the first nine months of 1969 to \$165 million.

This overall improvement in the balance with the United States was brought about by a dramatic change in the trade surplus which, with exports rising by 8 per cent to \$8,149 million and imports increasing by 2 per cent to \$7,532 million, reached \$617 million, nearly four times the level in the same period last year. The slowdown in the rate of growth of exports to the United States reduced the relative share of Canadian merchandise exports destined for the United States market from 70 per cent last year to 65 per cent this year, and arose mainly from the lacklustre performance of the United States economy this year. The increase in merchandise exports was mainly concentrated in the crude materials group of commodities with increases in iron ore and crude petroleum and natural gas totalling about \$236 million. There were smaller increases in shipments of nickel, fertilizers and motor vehicles and parts. Exports of motor vehicles and parts were dampened by the effects of the General Motors strike which began in September. Lumber exports declined by some \$115 million.

The non-merchandise deficit was virtually unchanged from the first nine months of 1969. Improvements occurred in the travel and freight and shipping accounts, however, with payments of interest and dividends increasing by 21 per cent to \$908 million, net interest and dividend payments rose by \$111 million to largely offset these improvements. In addition gold production available for export which is conventionally credited to the United States account declined by 15 per cent to \$73 million.

If the credit representing gold production available for export is excluded, Canada's current account surplus with the United States in the third quarter of 1970 was \$200 million. Capital movements between the two countries produced a net capital outflow of \$208 million as inflows of capital in long-term forms of \$210 million were overwhelmed by a short-term capital efflux of \$418 million. In sum, these transactions with the United States gave rise to net payments by Canada of \$8 million.

With the United Kingdom in the first nine months of 1970 total current receipts rose by about 28 per cent to \$1,574 million while total payments increased by some 3 per cent to \$1,037 million.

The current account surplus therefore, more than doubled to \$537 million from the corresponding period of 1969. This increase was wholly due to the widening in the trade surplus as, on non-merchandise transactions, there was an increase of 63 per cent in the deficit to \$31 million, mainly due to increased travel payments and reduced dividend and immigrant receipts.

Merchandise exports increased by 31 per cent to \$1,118 million raising the share of the United Kingdom market by 1 percentage point to 9 per cent of total Canadian exports. Merchandise imports fell by about 9 per cent to \$550 million. Increased exports of iron ore, aluminum, lumber and chemicals accounted for about three quarters of the increase. Besides being influenced by generally buoyant conditions in the United Kingdom and in certain United Kingdom export markets and by a rebuilding of some inventories following the 1969 suspension of supplies as a result of strikes in Canada, exports were assisted by reductions in the rate of import deposits which by September 1970 had been reduced to 20 per cent. The level of imports from the United Kingdom could have been affected by the July dock strike in the United Kingdom which created a backlog of shipments which by the end of September might not have been completely cleared.

With the Rest of the Sterling Area, total receipts went up by 19 per cent to \$778 million and total payments by 13 per cent to \$674 million. The current account surplus therefore rose by 76 per cent to \$104 million. The merchandise trade surplus nearly tripled to \$126 million as merchandise exports rose by 26 per cent to \$582 million while imports increased by only 10 per cent to \$456 million. There were rises in commodity exports to India, South Africa, Australia and Pakistan. About three fourths of the increase in exports was concentrated in the fabricated materials group.

As a result of an increase of 21 per cent in non-merchandise payments to \$218 million principally on account of larger travel expenditures and official contributions and a marginal advance of only 3 per cent in receipts to \$196 million, the non-merchandise balance swung from a surplus of \$11 million in the first nine months of 1969 to a deficit of \$22 million in 1970. The balance on travel deteriorated by \$12 million while official contributions rose by 21 per cent to \$86 million.

With the OECD (Europe) group of countries the current account deficit dropped markedly to \$53 million from \$234 million in the comparable period of 1969. Corresponding with increases of 31 per cent in both merchandise exports and non-merchandise receipts, total current receipts advanced 31 per cent to \$1,445 million. Total payments rose by 12 per cent to \$1,498 million as merchandise imports rose by only 7 per cent to \$866 million and non-merchandise payments by 20 per cent to \$632 million. The increase in exports was spread widely with Austria being the only country in this group to which a rise was not recorded. Increased exports to the European Economic Community, with the Netherlands, Belgium and West Germany leading the way, accounted for about 85 per cent of the total increase to this group of countries. The main increases in exports were recorded in nickel, iron ore and copper. Increased imports came mainly from Sweden, West Germany and Finland.

On non-merchandise transactions, travel and the "other services" item, mainly miscellaneous income transactions, accounted for the 12 per cent widening in the non-merchandise deficit which rose to \$345 million. The increases in the deficits on these two items amounting to \$50 million, were partly offset by improved balances on interest and dividends, freight and shipping and inheritances and migrants' funds.

With Other Countries, the strength in merchandise exports accounted for the reversal of the current account deficit of \$31 million for the first nine months of 1969 to a surplus of \$332 million this year. Merchandise exports rising at a rate of 41 per cent surged to \$1,502 million. Exports to Japan showed an increase of \$130 million mainly in metals, coal, rapeseed and lumber. The U.S.S.R. followed with an increase of \$90 million which consisted mainly of wheat shipments. There were increases in exports to other countries including Cuba, China, Mexico and Venezuela, Poland, Brazil, the Dominican Republic and the United Arab Republic. Merchandise imports increased moderately by 7 per cent to \$1,078 million. There was a substantial increase of about 20 per cent in imports from Japan while imports from Mexico were down by about 24 per cent.

Within the non-merchandise section, where the deficit increased by about 10 percent to \$92 million there were relatively large partially offsetting changes on individual items. The increase in the deficits on travel, on "other services", mainly miscellaneous income payments, and in official contributions amounted in total to \$64 million which is an increase of 58 per cent over last year's net payments on these components; these increases were partly offset by improved surpluses on interest and dividends, freight and shipping and inheritances and migrants' funds amounting in all to \$61 million.

Total current and capital account transactions by Canada with the United Kingdom and other overseas countries in the third quarter of 1970 resulted in net receipts by Canada of \$212 million. The continued strength in merchandise exports described above was the principal factor in producing a

current account surplus of \$246 million. Capital movements between Canada and these countries led to a small outflow of \$34 million. A net outflow of \$57 million for capital movements in long-term forms was partially offset by a small inflow of short-term capital mainly occasioned by a reduction in Canadian holdings of foreign currency held overseas.

Capital Movements

The net movement of capital between Canada and other countries in the third quarter gave rise to an outflow of \$242 million, a swing of \$777 million from the second quarter inflow of \$535 million. As in the previous quarter several of the items showed substantial quarter-to-quarter changes. Capital movements in long-term forms led to an inflow of \$153 million compared to a small \$11 million outflow in the second quarter. There was a change of \$941 million in short-term capital movements to produce an outflow of \$395 million following an inflow of \$535 million in the previous quarter. The continued strength of the current account, particularly the merchandise trade sector more than offset the net capital outflow to produce an increase in Canada's net official monetary assets totalling \$226 million in the quarter under review.

Sales of Canadian new issues to non-residents at \$304 million, up almost \$100 million from the second quarter, were again a major source of net inflows. Sharply reduced outflows were recorded for the retirement of Canadian securities following the increase in the second quarter occasioned by the advanced redemption of some Canadian government lire debt. Among changes which had a negative effect on the inflow balance were a swing of about \$100 million in the balance from trading in outstanding foreign securities to a net outflow of \$20 million and a \$45 million decrease in the inflow for direct investment in Canadian concerns to \$110 million in the quarter under review. The effect of adjusting actual long-term capital inflows to reflect the timing of security offerings is given in the accompanying statement which shows that deliveries were in excess of offerings by \$92 million during the quarter.

Capital Movements in Long-term Forms

Period	Actual movement	Adjusted to reflect timing of security offerings
	millions of dollars	
1968	+ 1,654	+ 2,203
1969	+ 2,257	+ 2,118
1969 I Q	+ 560	+ 585
II Q	+ 532	+ 532
III Q	+ 596	+ 448
IV Q	+ 569	+ 553
1970 I Q	+ 655	+ 596
II Q	- 11	- 119
III Q	+ 153	+ 61

The net outflow of \$395 million arising from capital movements in short-term forms in the third quarter resulted in a swing of \$941 million from the second quarter inflow and represented a return to the direction which had become normal in recent quarters for the aggregate. The most prominent transaction was an increase in the outflow bolstering foreign currency holdings abroad by \$437 million. This movement was augmented by drops in the inflows recorded for foreign investment in Canadian finance company paper and "other short-term capital transactions" and a swing of \$114 million in transactions associated with other Canadian finance company obligations as non-resident disinvestment led to net outflows of \$40 million.

The net spot holdings by Canadian chartered banks of foreign currency claims (excluding gold) on non-residents rose on a transactions basis by \$180 million in the quarter while those with Canadians fell by \$348 million to produce an overall decrease of \$168 million.

Claims on residents of the United States and overseas countries rose by \$249 million and \$82 million, respectively. Liabilities to residents of the United States fell by \$55 million while those to residents of overseas countries rose by \$206 million. Foreign currency claims on Canadians increase by \$144 million while liabilities to them climbed by \$492 million. The decrease of \$168 million in the Canadian banks' net foreign currency assets reflected an increase in net assets of \$304 million with residents of the United States and reductions of \$124 million and \$348 million with residents of overseas countries and Canadians, respectively. The overall effect of these transactions on the balance of payments is measured by the increase in the net asset position vis-a-vis non-residents which led to a net outflow of \$180 million. This figure cannot be indentified separately in the balance of payments presentation in this report but forms elements of several of the items.

Direct Investment

The net capital inflow in long-term forms for direct investment in Canadian subsidiaries, affiliates and branches of foreign companies in the third quarter of 1970 amounted to \$110 million, a drop of \$45 million from the inflow recorded in the second quarter but significantly higher than the \$79 million inflow of the corresponding quarter of the previous year. The net inflow from the United States amounted to about half the total while that from Continental Europe reached 35 per cent. Companies resident in the United Kingdom contributed most of the remainder. As in the previous quarter, petroleum and manufacturing enterprises received the bulk of the net investment. Net capital flows covering new capital formation and normal working capital requirements amounted to about 75 per cent of the total in the quarter.

Transactions affecting long-term Canadian direct investment abroad during the quarter resulted in a net capital inflow of \$20 million. This inflow is in sharp contrast to the net outflows of \$150 million and \$15 million recorded for the first and second quarters, respectively. Particularly significant was the liquidation in August of a major direct investment in the United Kingdom by Canadian Breweries Limited which more than offset the modest net outflows to the United States, Continental Europe, and all other countries.

Security Transactions

Portfolio security transactions in the third quarter gave rise to a net inflow of \$171 million. This represented a \$232 million shift from the second quarter outflow of \$61 million. The main factors in this change were significantly increased inflows from the sale of new Canadian issues abroad and a reduction in outflows for the retirement of Canadian securities held by non-residents. Net purchases by Canadians of outstanding foreign securities resulted in an outflow of \$20 million, a swing of over \$100 million from the second quarter inflow. Investor confidence in North America increased throughout the quarter after dropping to a low ebb in June which coincided with the Penn Central bankruptcy in the United States. Steady if unspectacular gains were registered in trading on stock exchanges, and monetary policy in both Canada and the United States eased slightly.

New Issues of Canadian Bonds Sold to United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
millions of dollars			
1968	1,884	1,335	923
1969	1,149	1,288	784
1969 I Q	398	373	948
II Q	272	272	948
III Q	246	394	800
IV Q	233	249	784
1970 I Q	361	420	725
II Q	26	134	617
III Q	189	281	525

(1) At end of period.

Transactions in Canadian securities were responsible for net inflows of some \$201 million. New Canadian issues sold abroad reached \$304 million. While markedly above the second quarter figure of \$208 million, inflows from new issues of Canadian securities were significantly less than in 1969, when the annual total was over \$2 billion, and third quarter inflows were \$565 million. Bond yield differentials between Canada and the United States in the first nine months of the year, and especially in the second quarter, were noticeably lower than in 1969. A further restraining influence upon capital inflows was the federal government's suggestion late in the second quarter that funds to be raised from security offerings should be sought initially in Canada. Conditions producing a certain amount of slack in the economy were also a factor in lessening the port-

folio capital inflow, as foreign purchases represented only 11 per cent of gross Canadian new issues in the second quarter of 1970, and 14 per cent in the third, compared with 29 per cent in the first three months of the year. Provincial governments and their agencies were active in the sale of new issues abroad, accounting for \$186 million, or 61 per cent, of all foreign purchases in the third quarter. This was an increase of over \$100 million from the second quarter inflow of \$62 million. With the exception of municipalities, new issues of bonds and debentures were close to the second quarter levels in all other sectors. Municipal issues abroad dropped to \$5 million from \$20 million in the previous period. Issues abroad of Canadian equities of \$11 million in the third quarter compared with \$8 million in the second quarter. Inflows from new issues sold abroad came almost exclusively from the United States - some \$292 million.

Outflows for the retirement of Canadian securities held by non-residents returned to more normal levels following the second quarter surge, when the federal government redeemed a large Italian currency note. Retirements of \$49 million in the third quarter compared with \$239 million in the second quarter and \$53 million in the third quarter of 1969. Retirements of provincial and corporate bonds were also substantially less than in the second quarter.



Transactions in outstanding Canadian securities led to net outflows of \$54 million. Repatriation of Canadian issues, although occurring throughout the quarter, continued at less than half the second quarter rate. Reduced net purchases of Canadian securities were most noticeable in equity transactions, falling to \$37 million in the third quarter from \$83 million in the previous period.

A pattern of net sales by Canadians of outstanding foreign securities was reversed during the third quarter, as successive inflows dating back to October 1969 gave way to a quarterly outflow of \$20 million. Gross trading in August dropped to the lowest level since November 1966, then mounted sharply in September as stock prices continued to rise with few violent oscillations from a low in May.

Outflows from the sales of new foreign securities to Canadians rose to \$12 million during the quarter, compared with \$5 million in the previous period. Inflows for the retirement of foreign debtor securities were \$2 million.

The quarterly inflow of \$171 million was comprised geographically of inflows of \$178 million from the United States and \$3 million from European countries other than the United Kingdom, which were partly off-set by outflows of \$8 million to the United Kingdom and \$2 million to all other countries. In the nine months ending September 30, 1970, portfolio transactions with non-residents resulted in inflows of \$671 million, made

up of inflows of \$667 million from the United States and \$77 million from the United Kingdom, off-set in part by outflows of \$65 million and \$8 million to other European countries and all other countries respectively.

Other Capital Flows in Long-term Forms

Disbursements by the Canadian Government under intergovernmental loan programs rose almost \$2 million to over \$34 million in the third quarter of 1970 - all under the development loan program. Geographically more than 80 per cent of the disbursements went to Commonwealth countries in Asia. In addition Canada increased its subscription by over \$1 million to an international investment agency.

Transactions during the quarter arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government led to a net capital outflow of \$60 million, an increase of \$26 million from the preceding quarter. Higher advances for the purchase of wheat by Latin American and Middle Eastern countries contributed largely to the increase in disbursements. In addition advances for wheat sales to Sino-Soviet countries and the purchase of other commodities by Latin American countries continued at a high level.

Export Credits(1) Extended Directly or Indirectly at Risk of the Government of Canada

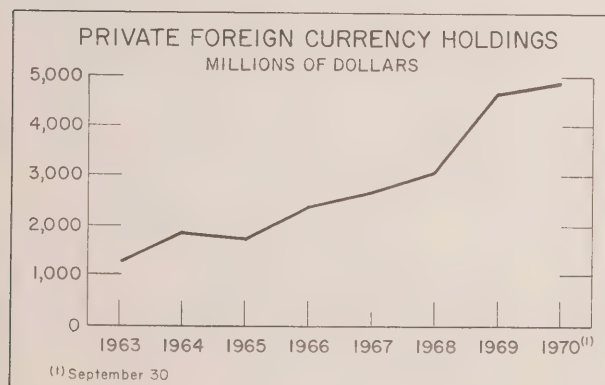
Year and quarter	Wheat			Other commodities			Total
	Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net	
millions of dollars							
1968	- 145	+ 217	+ 72	- 88	+ 45	- 43	+ 29
1969	- 101	+ 119	+ 18	- 76	+ 49	- 27	- 9
1969 I Q	- 25	+ 20	- 5	- 20	+ 12	- 8	- 13
II Q	- 39	+ 15	- 24	- 17	+ 11	- 6	- 30
III Q	- 18	+ 32	+ 14	- 22	+ 15	- 7	+ 7
IV Q	- 19	+ 52	+ 33	- 17	+ 11	- 6	+ 27
1970 I Q	- 29	+ 40	+ 11	- 17	+ 18	+ 1	+ 12
II Q	- 42	+ 26	- 16	- 32	+ 14	- 18	- 34
III Q	- 63	+ 31	- 32	- 40	+ 12	- 28	- 60

(1) Medium and long-term.

The remaining capital movements in long-term forms, which include bank and other long-term loans, mortgage investments and movements of insurance funds, led to a net outflow of \$53 million compared to an outflow of only \$4 million in the second quarter. Reductions in United States long-term bank loans to Canadians and increases in repayments to European banks were responsible for the increased outflow compared with the previous quarter.

Capital Movements in Short-term Forms

Non-resident holdings of Canadian dollar deposits rose by \$5 million in the third quarter. Residents of the United States accounted for an increase of \$36 million while residents of the United Kingdom and all other countries decreased their holdings by \$7 million and \$24 million, respectively. Government of Canada demand liabilities in the form of interest free demand notes issued to international investment agencies increased by \$1 million in the third quarter of 1970. Non-resident holdings of Canadian treasury bills dropped by \$44 million in the quarter largely due to disinvestment by an international investment agency.



Canadian holdings of foreign currency bank balances and other short-term funds abroad rose by \$437 million compared to an increase of \$5 million during the second quarter. Net outflows to the United States and overseas countries other than the United Kingdom amounted to \$415 million and \$183 million, respectively, while net inflows of \$161 million occurred from the United Kingdom. Canadian holdings of swapped deposits increased in the quarter by about \$450 million to \$1,732 million. An increase by Canadian residents of their holdings of foreign currency bank balances and other short-term funds abroad held through the Canadian chartered banks was accompanied by smaller outflows to build up balances held directly abroad in foreign banks.

Transactions by non-residents in Canadian money market instruments in the

third quarter led to considerably lower net inflows of funds from abroad than those occurring in the second quarter. International trading was active as the market reacted to the floating of the Canadian dollar. After the dollar was freed from its fixed exchange rate on June 1, the forward rate moved to a substantially larger premium. Yields on finance company paper remained generally higher in Canada than in the United States, and in conjunction with the premium on the forward Canadian dollar which existed throughout the quarter, appear to have given rise to some movements of arbitrage capital.

Transactions in finance company paper reached a relatively high level. At \$75 million, however the inflow was almost \$100 million less than in the previous period. Geographically, inflows of \$22 million, \$23 million, and \$30 million arose from transactions with residents of the United States, United Kingdom and other countries (including international institutions) respectively.

Non-residents reduced their holdings of Canadian commercial paper by \$20 million. Transactions with United States residents gave rise to a net outflow of \$21 million. Gross transactions fell from the levels registered in the first half of the year, reflecting to some extent the decline in both Canada and the United States of total commercial paper outstanding following the Penn Central débâcle.

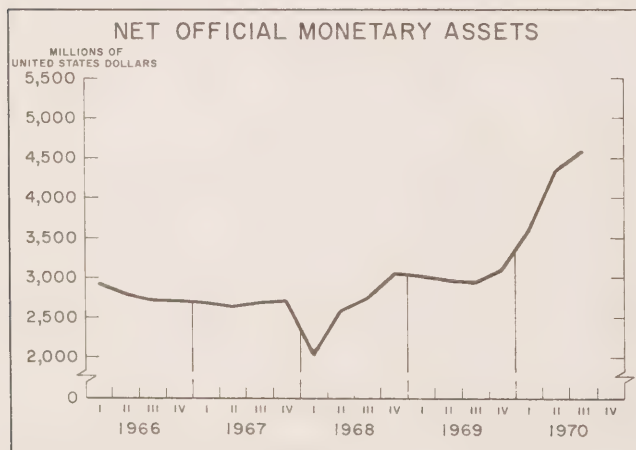
Transactions in other short-term paper, which includes notes of banks, mortgage loan companies, and municipal and provincial governments, gave rise to a net inflow of \$18 million, compared with an outflow of \$29 million in the second quarter. Gross transactions were up from the second quarter, as investors may have preferred to place their funds in these relatively low-risk securities rather than in other types of paper.

There was a net decrease in non-resident claims on Canadian finance companies in the form of bank loans and inter-company accounts totalling \$40 million in the third quarter. All other transactions in the quarter led to a net capital inflow of \$47 million. Identified items indicate that substantial inflows arose from a relatively sharp increase in short-term foreign currency bank loans obtained by Canadian residents and an increase in inter-company accounts payable. A rise in accounts receivable produced the most prominent identified outflow which was, however, considerably smaller than the balancing item representing amounts which have not yet been identified.

Official International Monetary Assets and Liabilities

Canada's net official monetary assets increased by US \$221 million during the third quarter to US \$4,553 million, a high rate of accumulation considerably below those observed in the preceding two quarters. Holdings increased in July and August but there was a small decline in September. The July increase partly reflected foreign currency purchases carried out under commitments which were outstanding at the end of May when the Canadian dollar was unpegged.

Holdings of United States dollars increased by US \$135 million to a record level of US \$2,905 million while those of other convertible currencies fell by US \$4 million to the equivalent of US \$13 million.



Canada's reserve position with the International Monetary Fund totalled US \$574 million at the end of September, an increase of US \$51 million for the quarter. Drawings of Canadian dollars accounted for a rise of US \$87 in Canada's net position which was partially offset by sales of Canadian dollars to the IMF for Special Drawing Rights of US \$36 million.

Holdings of Special Drawing Rights increased by US \$38 million to the equivalent of US \$181 million at the end of the quarter. The bulk of the increase was due to the sale of Canadian dollars for Special Drawing Rights mentioned above.

Canada's official monetary liabilities dropped from a level of almost US \$1 million to a negligible amount during the quarter.

The total of the above transactions provided for an overall increase in Canada's net official monetary assets in the third quarter expressed in Canadian dollars of \$226 million.

The spot value of the Canadian dollar on the foreign exchange markets has shown marked appreciation since it was freed at the end of May 1970. The spot rate for the Canadian dollar closed the third quarter at 101.84 cents for US \$1.00. During the month of September the Canadian dollar traded in a relatively narrow range between 100.31 and 102.13 cents for US \$1.00.

The forward Canadian dollar for delivery in 90 days has sold at a premium since April of 1970. The premium reached a peak of about 1.25 per cent (rate per annum) in June after the unpegging of the dollar and then fell to average about 0.6 per cent in August and September.

United States Dollar in Canada

Pound Sterling in Canada

Period	High	Low	Close	Noon average	High	Low	Close	Noon average
Canadian cents					Canadian cents			
1968	109.00	107.25	107.28	107.75	262.63	255.25	255.82	257.94
1969	108.25	107.25	107.28	107.68	258.89	255.72	257.55	257.39
1969 I Q	107.84	107.25	107.66	107.46	258.05	255.72	257.82	256.83
II Q	108.16	107.50	108.09	107.76	258.62	256.32	258.52	257.53
III Q	108.25	107.66	107.91	107.90	258.89	256.38	257.17	257.54
IV Q	108.06	107.28	107.28	107.60	258.27	257.25	257.55	257.65
1970 I Q	107.38	107.25	107.25	107.28	258.42	257.26	258.11	257.86
II Q	107.47	102.56	103.44	106.10	258.33	246.03	247.76	254.92
III Q	103.59	100.31	101.84	102.32	247.78	239.33	243.19	244.35
July	103.59	102.56	102.56	103.20	247.78	245.21	245.21	246.70
August	102.66	101.56	101.81	102.14	245.44	242.57	242.64	243.89
September	102.13	100.31	101.84	101.59	243.66	239.33	243.19	242.33

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1)

Current Account

Line No.	Acct. No.	Item	1968				1969	
			I	II	III	IV	I	II
			millions of dollars					
	A	<u>Current receipts</u>						
1	1	Merchandise exports (adjusted)(2)	3,017	3,532	3,321	3,667	3,467	3,809
		Service receipts						
2	3	Gold production available for export	33	27	32	28	31	28
3	4	Travel	81	230	539	128	86	250
4	5	Interest and dividends	67	82	82	122	88	112
5	6	Freight and shipping	191	226	236	238	203	241
6	(part)11	Other service receipts	208	213	210	209	253	260
7		Total service receipts	580	778	1,099	725	661	891
8		Sub-totals, exports of goods and services	3,597	4,310	4,420	4,392	4,128	4,700
		Transfer receipts						
9	7	Inheritances and immigrants' funds	55	99	131	85	62	100
10	(part)11	Personal and institutional remittances(3)	23	24	24	24	22	23
11	12	Total current receipts	3,675	4,433	4,575	4,501	4,212	4,823
	B	<u>Current payments</u>						
12	1	Merchandise imports (adjusted)(2)	2,754	3,140	2,859	3,409	3,226	3,706
		Service payments						
13	4	Travel	216	246	375	171	268	341
14	5	Interest and dividends	280	304	288	387	298	318
15	6	Freight and shipping	194	240	244	253	207	267
16	(part)11	Other service payments	358	359	354	370	385	390
17		Total service payments	1,048	1,149	1,261	1,181	1,158	1,316
18		Sub-totals, imports of goods and services	3,802	4,289	4,120	4,590	4,384	5,022
		Transfer payments						
19	7	Inheritances and emigrants' funds	48	53	56	52	40	44
20	(part)11	Personal and institutional remittances(3)	38	36	36	38	45	42
21	9	Official contributions	14	40	50	29	16	49
22	12	Total current payments	3,902	4,418	4,262	4,709	4,485	5,157
	C	<u>Current account balance</u>						
23	1	Merchandise trade	+ 263	+ 392	+ 462	+ 258	+ 241	+ 103
		Service transactions						
24		Gold production available for export	+ 33	+ 27	+ 32	+ 28	+ 31	+ 28
25		Travel	- 135	- 16	+ 164	- 43	- 182	- 91
26		Interest and dividends	- 213	- 222	- 206	- 265	- 210	- 206
27		Freight and shipping	- 3	- 14	- 8	- 15	- 4	- 26
28		Other service transactions	- 150	- 146	- 144	- 161	- 132	- 130
29		Balance on service transactions	- 468	- 371	- 162	- 456	- 497	- 425
30		Balance on goods and services	- 205	+ 21	+ 300	- 198	- 256	- 322
31		Net transfers	- 22	- 6	+ 13	- 10	- 17	- 12
32	4	Total current account balance	- 227	+ 15	+ 313	- 208	- 273	- 334

(1) Data for 1968 are mostly final, those for 1969 and 1970 are preliminary.

(2) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments - see Table 6.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1)

Current Account

1969		1970				1968	1969	Four quarters ended III Q 1970	Acct. No.	Line No.
III	IV	I	II	III	IV					
millions of dollars										
3,545	4,053	3,936	4,525	4,048		13,537	14,874	16,562	A 1	1
27	22	25	26	22		120	108	95	3	2
581	157	107	292	641		978	1,074	1,197	4	3
85	129	112	121	123		353	414	485	5	4
235	257	234	270	274		891	936	1,035	6	5
268	281	296	303	315		840	1,062	1,195	(part)11	6
1,196	846	774	1,012	1,375		3,182	3,594	4,007		7
4,741	4,899	4,710	5,537	5,423		16,719	18,468	20,569		8
109	92	72	101	122		370	363	387	7	9
23	23	24	24	25		95	91	96	(part)11	10
4,873	5,014	4,806	5,662	5,570		17,184	18,922	21,052	12	11
3,303	3,752	3,303	3,862	3,317		12,162	13,987	14,234	B 1	12
476	207	299	373	552		1,008	1,292	1,431	4	13
294	435	388	352	353		1,259	1,345	1,528	5	14
251	266	225	262	265		931	991	1,018	6	15
397	416	431	428	431		1,441	1,588	1,706	(part)11	16
1,418	1,324	1,343	1,415	1,601		4,639	5,216	5,683		17
4,721	5,076	4,646	5,277	4,918		16,801	19,203	19,917		18
58	52	42	49	62		209	194	205	7	19
42	43	46	48	43		148	172	180	(part)11	20
46	33	31	42	79		133	144	185	9	21
4,867	5,204	4,765	5,416	5,102		17,291	19,713	20,487	12	22
+ 242	+ 301	+ 633	+ 663	+ 731		+ 1,375	+ 887	+ 2,328	C 1	23
+ 27	+ 22	+ 25	+ 26	+ 22		+ 120	+ 108	+ 95		24
+ 105	- 50	- 192	- 81	+ 89		- 30	- 218	- 234		25
- 209	- 306	- 276	- 231	- 230		- 906	- 931	- 1,043		26
- 16	- 9	+ 9	+ 8	+ 9		- 40	- 55	+ 17		27
- 129	- 135	- 135	- 125	- 116		- 601	- 526	- 511		28
- 222	- 478	- 569	- 403	- 226		- 1,457	- 1,622	- 1,676		29
+ 20	- 177	+ 64	+ 260	+ 505		- 82	- 735	+ 652		30
- 14	- 13	- 23	- 14	- 37		- 25	- 56	- 87		31
+ 6	- 190	+ 41	+ 246	+ 468		- 107	- 791	+ 565	4	32

(3) Personal and institutional remittances include pension payments. Prior to 1 Quarter 1970 publications, the total of this line was included in "all other current" transactions.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1) - Concluded

Capital Account(4)

Line No.	Acct. No.	Item	1968				1969	
			I	II	III	IV	I	II
			millions of dollars					
	D	Direct investment(5)						
33	1	In Canada	+ 53	+ 225	+ 137	+ 175	+ 156	+ 233
34	2	Abroad	- 88	- 6	- 20	- 111	- 52	- 103
		Portfolio transactions						
		Canadian securities						
35	3.1	Outstanding bonds	- 53	- 11	- 13	+ 7	+ 17	- 6
36	3.2	Outstanding stocks	+ 16	+ 34	+ 10	+ 54	+ 37	+ 44
37	4	New issues	+ 403	+ 708	+ 440	+ 366	+ 616	+ 516
38	5	Retirements	- 139	- 135	- 39	- 118	- 84	- 124
		Foreign securities						
39	6	Outstanding issues	- 72	- 125	- 118	- 105	- 50	- 6
40	7	New issues	- 23	- 10	- 15	- 29	- 11	- 21
41	8	Retirements	+ 10	+ 9	+ 3	+ 8	+ 11	+ 19
		Loans and subscriptions - Government of Canada						
42	9	Advances	- 10	- 8	- 16	- 44	- 11	- 43
43	10	Repayments	+ 2	+ 2	+ 1	-	-	+ 2
44	11	Columbia River Treaty	-	-	-	+ 88	-	-
45	12	Export credits directly or indirectly at risk of the Government of Canada	+ 45	+ 8	- 9	- 15	- 13	- 30
46	13	Other long-term capital transactions	+ 21	+ 58	+ 12	+ 91	- 56	+ 51
47	E 1	Balance of capital movements in long-term forms (lines 33-46)	+ 165	+ 749	+ 373	+ 367	+ 560	+ 532
48	D 17.1	Resident holdings of foreign bank balances and other short-term funds abroad	- 99	+ 10	- 170	- 142	- 156	- 568
		Non-resident holdings of Canadian:						
49	14.1	Dollar deposits	+ 8	+ 4	+ 4	+ 54	- 11	+ 25
50	14.2	Government demand liabilities	- 4	- 3	+ 1	+ 27	- 2	- 30
51	14.3	Treasury bills	+ 23	+ 1	+ 11	+ 13	+ 13	- 10
52	17.2a	Commercial paper	-	-	+ 2	- 1	- 1	+ 23
53	17.3	Finance company paper	- 60	- 35	- 37	-	+ 159	+ 71
54	17.2b	Other short-term paper	+ 7	- 17	- 1	+ 9	- 2	- 21
55	17.4	Other finance company obligations	- 6	- 7	- 2	+ 34	+ 23	+ 28
56	17.5	Other short-term capital transactions(6)	- 571	- 97	- 332	+ 178	- 348	+ 230
57	E 2	Balance of capital movements in short-term forms (lines 48-56)	- 702	- 144	- 524	+ 172	- 325	- 252
58	E 3	Total net capital balance	- 537	+ 605	- 151	+ 539	+ 235	+ 280
59		Allocation of Special Drawing Rights .....	...	...	...	...	...	...
	H	Net official monetary movements(7):						
60	4	Official international reserves	- 495	+ 486	+ 28	+ 331	- 38	- 54
61	5	Official monetary liabilities	- 269	+ 134	+ 134	-	-	-
62	6	Net official monetary assets	- 764	+ 620	+ 162	+ 331	- 38	- 54

(4) A minus sign in Accounts D and E indicates an outflow of capital from Canada and represents an increase in holdings of assets abroad or a reduction in liabilities to non-residents.

(5) Exclusive of undistributed profits.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1) - Concluded

Capital Account(4)

1969		1970				1968	1969	Four quarters ended III Q 1970	Acct. No.	Line No.
III	IV	I	II	III	IV					
millions of dollars										
D										
+ 79 - 25	+ 187 - 75	+ 200 - 150	+ 155 - 15	+ 110 + 20		+ 590 - 225	+ 655 - 255	+ 652 - 220	1 2	33 34
- 12 - 4 + 565 - 53	+ 3 - 24 + 370 - 135	+ 4 - 4 + 535 - 87	- 26 - 83 + 208 - 239	- 17 - 37 + 304 - 49		- 70 + 114 + 1,917 - 431	+ 2 + 53 + 2,067 - 396	- 36 - 148 + 1,417 - 510	3.1 3.2 4 5	35 36 37 38
+ 65 - 5 + 2	+ 105 - 6 + 3	+ 116 - 5 + 2	+ 82 - 5 + 2	- 20 - 12 + 2		- 420 - 77 + 30	+ 114 - 43 + 35	+ 283 - 28 + 9	6 7 8	39 40 41
- 15 -	- 20 + 20	- 25 -	- 59 + 7	- 35 -		- 78 + 5	- 89 + 22	- 139 + 27	9 10	42 43
-	+ 32	-	-	-		+ 88	+ 32	+ 32	11	44
+ 7	+ 27	+ 12	- 34	- 60		+ 29	- 9	- 55	12	45
- 8	+ 82	+ 57	- 4	- 53		+ 182	+ 69	+ 82	13	46
+ 596	+ 569	+ 655	- 11	+ 153		+ 1,654	+ 2,257	+ 1,366	E 1	47
- 621	- 259	+ 206	- 5	- 437		- 401	- 1,604	- 495	D 17.1	48
- 4 + 1 + 13 - 15 - 71 - 5 + 3	+ 50 - 3 + 19 + 35 + 17 + 25 + 62	+ 31 - 2 - 9 + 7 - 75 - 1 - 52	+ 36 + 27 - 6 - 7 + 174 - 29 + 74	+ 5 + 1 - 44 - 20 + 75 + 18 - 40		+ 70 + 21 + 48 + 1 - 132 - 2 + 19	+ 60 - 34 + 35 + 42 + 176 - 3 + 116	+ 122 + 23 - 40 + 15 + 191 + 13 + 44	14.1 14.2 14.3 17.2a 17.3 17.2b 17.4	49 50 51 52 53 54 55
+ 92	- 163	- 407	+ 282	+ 47		- 822	- 189	- 241	17.5	56
- 607	- 217	- 302	+ 546	- 395		- 1,198	- 1,401	- 368	E 2	57
- 11	+ 352	+ 353	+ 535	- 242		+ 456	+ 856	+ 998	E 3	58
...	...	+ 133	-	-		...	...	+ 133		59
- 5 - - 5	+ 162 - + 162	+ 527 - + 527	+ 781 - + 781	+ 225 + 1 + 226		+ 350 - 1 + 349	+ 65 - + 65	+ 1,695 + 1 + 1,696	H 4 5 6	60 61 62

(6) Includes balancing item representing difference between direct measures of current and capital accounts and embodies errors and omissions from both accounts.

(7) For detailed composition of official monetary assets see Table 4.

... Not applicable.

TABLE 2. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Current Account - Seasonally Adjusted

Line No.	Acct. No.	Item	1968			
			I	II	III	IV
			millions of dollars			
	A	<u>Current receipts</u>				
1	1	Merchandise exports (adjusted)(1)	3,240	3,348	3,389	3,560
		Service receipts				
2	3	Gold production available for export	32	27	31	30
3	4	Travel	242	252	246	238
4	5	Interest and dividends	72	86	100	95
5	6	Freight and shipping	217	221	225	228
6	(part)11	Other service receipts	205	209	211	215
7		Total service receipts.....	768	795	813	806
8		Sub-totals, exports of goods and services	4,008	4,143	4,202	4,366
		Transfer receipts				
9	7	Inheritances and immigrants' funds	78	91	108	93
10	(part)11	Personal and institutional remittances(2)	23	24	24	24
11	12	Total current receipts	4,109	4,258	4,334	4,483
	B	<u>Current payments</u>				
12	1	Merchandise imports (adjusted)(1)	2,965	2,912	3,008	3,277
		Service payments				
13	4	Travel	246	231	269	262
14	5	Interest and dividends	304	322	325	308
15	6	Freight and shipping	227	230	231	243
16	(part)11	Other service payments	354	353	356	378
17		Total service payments	1,131	1,136	1,181	1,191
18		Sub-totals, imports of goods and services	4,096	4,048	4,189	4,468
		Transfer payments				
19	7	Inheritances and emigrants' funds	57	56	47	49
20	(part)11	Personal and institutional remittances(2)	36	35	37	40
21	9	Official contributions	25	30	41	37
22	12	Total current payments	4,214	4,169	4,314	4,594
	C	<u>Current account balance</u>				
23	1	Merchandise trade	+ 275	+ 436	+ 381	+ 283
		Service transactions				
24		Gold production available for export	+ 32	+ 27	+ 31	+ 30
25		Travel	- 4	+ 21	- 23	- 24
26		Interest and dividends	- 232	- 236	- 225	- 213
27		Freight and shipping	- 10	- 9	- 6	- 15
28		Other service transactions	- 149	- 144	- 145	- 163
29		Total service transactions	- 363	- 341	- 368	- 385
30		Balance on goods and services	- 88	+ 95	+ 13	- 102
31		Net transfers	- 17	- 6	+ 7	- 9
32	4	Total current account balance	- 105	+ 89	+ 20	- 111

(1) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments.

TABLE 2. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Current Account - Seasonally Adjusted

1969				1970				Acct. No.	Line No.
I	II	III	IV	I	II	III	IV		
millions of dollars									
3,718	3,614	3,637	3,905	4,263	4,266	4,158	A		
							1		1
30	28	27	23	24	26	22			
255	268	263	288	317	314	288	3		2
97	115	103	99	124	123	150	4		3
230	235	225	246	264	264	262	5		4
248	252	271	291	288	294	320	6		5
860	898	889	947	1,017	1,021	1,042	(part) 11		6
									7
4,578	4,512	4,526	4,852	5,280	5,287	5,200			8
88	90	86	99	100	91	98			
22	23	23	23	25	24	25	7		9
							(part) 11		10
4,688	4,625	4,635	4,974	5,405	5,402	5,323			
							12		11
							B		
3,483	3,422	3,468	3,614	3,558	3,572	3,509			
							1		12
304	323	343	322	335	352	396			
325	335	333	352	419	368	397	4		13
241	256	239	255	261	251	252	5		14
380	382	401	425	428	419	437	6		15
1,250	1,296	1,316	1,354	1,443	1,390	1,482	(part) 11		16
									17
4,733	4,718	4,784	4,968	5,001	4,962	4,991			18
48	48	49	49	51	53	52			
43	41	43	45	44	47	44	7		19
29	37	38	40	45	31	69	(part) 11		20
							9		21
4,853	4,844	4,914	5,102	5,141	5,093	5,156			
							12		22
							C		
+ 235	+ 192	+ 169	+ 291	+ 705	+ 694	+ 649			
							1		23
+ 30	+ 28	+ 27	+ 23	+ 24	+ 26	+ 22			24
- 49	- 55	- 80	- 34	- 18	- 38	- 108			25
- 228	- 220	- 230	- 253	- 295	- 245	- 247			26
- 11	- 21	- 14	- 9	+ 3	+ 13	+ 10			27
- 132	- 130	- 130	- 134	- 140	- 125	- 117			28
- 390	- 398	- 427	- 407	- 426	- 369	- 440			29
- 155	- 206	- 258	- 116	+ 279	+ 325	+ 209			30
- 10	- 13	- 21	- 12	- 15	- 16	- 42			31
- 165	- 219	- 279	- 128	+ 264	+ 309	+ 167			32
							4		

(2) Personal and institutional remittances include pension payments. Prior to I Quarter 1970 publications, the total of this line was included in "all other current" transactions.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

By Area

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of dollars					
	<u>United States</u>						
1	Merchandise exports (adjusted)	2,053	2,352	2,179	2,532	2,459	2,666
2	Non-merchandise receipts(1,4)	378	573	891	511	437	634
3	Total current receipts	2,431	2,925	3,070	3,043	2,896	3,300
4	Merchandise imports (adjusted)	2,076	2,307	2,019	2,465	2,450	2,665
5	Non-merchandise payments(1)	803	894	932	894	874	982
6	Total current payments	2,879	3,201	2,951	3,359	3,324	3,647
	Balance						
7	Merchandise trade	- 23	+ 45	+ 160	+ 67	+ 9	+ 1
8	Non-merchandise trade	- 425	- 321	- 41	- 383	- 437	- 348
9	Current account balance	- 448	- 276	+ 119	- 316	- 428	- 347
	Capital movements(2)						
10	In long-term forms	+ 127	+ 385	+ 281	+ 341	+ 376	+ 357
11	In short-term forms	- 548	- 239	- 713	+ 230	- 151	+ 286
12	Total net capital balance	- 421	+ 146	- 432	+ 571	+ 225	+ 643
	<u>United Kingdom</u>						
13	Merchandise exports (adjusted)	295	319	323	303	289	290
14	Non-merchandise receipts(1)	86	99	102	93	112	132
15	Total current receipts	381	418	425	396	401	422
16	Merchandise imports (adjusted)	160	180	161	181	172	231
17	Non-merchandise payments(1)	97	108	149	118	101	130
18	Total current payments	257	288	310	299	273	361
	Balance						
19	Merchandise trade	+ 135	+ 139	+ 162	+ 122	+ 117	+ 59
20	Non-merchandise trade	- 11	- 9	- 47	- 25	+ 11	+ 2
21	Current account balance	+ 124	+ 130	+ 115	+ 97	+ 128	+ 61
	Capital movements(2)						
22	In long-term forms	+ 7	+ 47	- 24	+ 37	+ 10	+ 11
23	In short-term forms	- 178	- 88	- 26	- 125	- 348	- 654
24	Total net capital balance	- 171	- 41	- 50	- 88	- 338	- 643
	<u>Rest of the Sterling Area</u>						
25	Merchandise exports (adjusted)	134	167	165	149	142	155
26	Non-merchandise receipts(1)	45	58	70	62	49	67
27	Total current receipts	179	225	235	211	191	222
28	Merchandise imports (adjusted)	77	110	130	140	95	151
29	Non-merchandise payments(1)	39	61	55	47	49	73
30	Total current payments	116	171	185	187	144	224
	Balance						
31	Merchandise trade	+ 57	+ 57	+ 35	+ 9	+ 47	+ 4
32	Non-merchandise trade	+ 6	- 3	+ 15	+ 15	-	- 6
33	Current account balance	+ 63	+ 54	+ 50	+ 24	+ 47	- 2

See footnotes at the end of table.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

By Area

1969		1970				1968	1969	Four quarters ended III Q 1970	No.
III	IV	I	II	III	IV				
millions of dollars									
2,436	2,938	2,639	2,981	2,529		9,116	10,499	11,087	1
925	577	487	692	1,050		2,353	2,573	2,806	2
3,361	3,515	3,126	3,673	3,579		11,469	13,072	13,893	3
2,281	2,707	2,462	2,786	2,284		8,867	10,103	10,239	4
1,012	979	973	1,016	1,095		3,523	3,847	4,063	5
3,293	3,686	3,435	3,802	3,379		12,390	13,950	14,302	6
+ 155	+ 231	+ 177	+ 195	+ 245		+ 249	+ 396	+ 848	7
- 87	- 402	- 486	- 324	- 45		- 1,170	- 1,274	- 1,257	8
+ 68	- 171	- 309	- 129	+ 200		- 921	- 878	- 409	9
+ 467	+ 405	+ 565	+ 141	+ 210		+ 1,134	+ 1,605	+ 1,321	10
- 494	- 141	- 140	+ 383	- 418		- 1,270	- 500	- 316	11
- 27	+ 264	+ 425	+ 524	- 208		- 136	+ 1,105	+ 1,005	12
272	269	335	415	368		1,240	1,120	1,387	13
139	147	140	154	162		380	530	603	14
411	416	475	569	530		1,620	1,650	1,990	15
203	180	168	201	181		682	786	730	16
171	125	124	157	206		472	527	612	17
374	305	292	358	387		1,154	1,313	1,342	18
+ 69	+ 89	+ 167	+ 214	+ 187		+ 558	+ 334	+ 657	19
- 32	+ 22	+ 16	- 3	- 44		- 92	+ 3	- 9	20
+ 37	+ 111	+ 183	+ 211	+ 143		+ 466	+ 337	+ 648	21
- 24	+ 59	+ 68	+ 55	+ 33		+ 67	+ 56	+ 215	22
- 275	- 76	- 65	- 64	+ 251		- 417	- 1,353	+ 46	23
- 299	- 17	+ 3	- 9	+ 284		- 350	- 1,297	+ 261	24
165	156	181	186	215		615	618	738	25
75	66	57	64	75		235	257	262	26
240	222	238	250	290		850	875	1,000	27
168	173	108	189	159		457	587	629	28
58	56	64	64	90		202	236	274	29
226	229	172	253	249		659	823	903	30
- 3	- 17	+ 73	- 3	+ 56		+ 158	+ 31	+ 109	31
+ 17	+ 10	- 7	-	- 15		+ 33	+ 21	- 12	32
+ 14	- 7	+ 66	- 3	+ 41		+ 191	+ 52	+ 97	33

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

By Area

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of dollars					
	<u>Other OECD (Europe)(3)</u>						
34	Merchandise exports (adjusted)	203	269	283	296	263	315
35	Non-merchandise receipts(1)	57	77	74	66	56	79
36	Total current receipts	260	346	357	362	319	394
37	Merchandise imports (adjusted)	181	240	235	285	214	311
38	Non-merchandise payments(1)	140	142	181	158	147	172
39	Total current payments	321	382	416	443	361	483
	Balance						
40	Merchandise trade	+ 22	+ 29	+ 48	+ 11	+ 49	+ 4
41	Non-merchandise trade	- 83	- 65	- 107	- 92	- 91	- 93
42	Current account balance	- 61	- 36	- 59	- 81	- 42	- 89
	<u>Other Countries</u>						
43	Merchandise exports (adjusted)	332	425	371	387	314	383
44	Non-merchandise receipts(1)	59	67	85	74	60	74
45	Total current receipts	391	492	456	461	374	457
46	Merchandise imports (adjusted)	260	303	314	338	295	348
47	Non-merchandise payments(1)	69	73	86	83	88	94
48	Total current payments	329	376	400	421	383	442
	Balance						
49	Merchandise trade	+ 72	+ 122	+ 57	+ 49	+ 19	+ 35
50	Non-merchandise trade	- 10	- 6	- 1	- 9	- 28	- 20
51	Current account balance	+ 62	+ 116	+ 56	+ 40	- 9	+ 15
	<u>All Countries</u>						
52	Merchandise exports (adjusted)	3,017	3,532	3,321	3,667	3,467	3,809
53	Non-merchandise receipts(1, 4)	658	901	1,254	834	745	1,014
54	Total current receipts	3,675	4,433	4,575	4,501	4,212	4,823
55	Merchandise imports (adjusted)	2,754	3,140	2,859	3,409	3,226	3,706
56	Non-merchandise payments(1)	1,148	1,278	1,403	1,300	1,259	1,451
57	Total current payments	3,902	4,418	4,262	4,709	4,485	5,157
	Balance						
58	Merchandise trade	+ 263	+ 392	+ 462	+ 258	+ 241	+ 103
59	Non-merchandise trade	- 490	- 377	- 149	- 466	- 514	- 437
60	Current account balance	- 227	+ 15	+ 313	- 208	- 273	- 334
	Capital movements						
61	In long-term forms	+ 165	+ 749	+ 373	+ 367	+ 560	+ 532
62	In short-term forms	- 702	- 144	- 524	+ 172	- 325	- 250
63	Total net capital balance	- 537	+ 605	- 151	+ 539	+ 235	+ 280
64	Allocation of Special Drawing Rights .....	...	...	...	...	...	...
65	Net official monetary movements	- 764	+ 620	+ 162	+ 331	- 38	- 54

(1) Including transfer receipts/payments.

(2) Capital movements by area on a quarterly basis are available at this time only for Canada's transactions with the United States and the United Kingdom.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

By Area

1969		1970				1968	1969	Four quarters ended III Q 1970	No.
III	IV	I	II	III	IV				
millions of dollars									
305	320	351	419	388		1,051	1,203	1,478	34
84	75	84	97	106		274	294	362	35
389	395	435	516	494		1,325	1,497	1,840	36
283	316	238	317	311		941	1,124	1,182	37
209	188	183	198	251		621	716	820	38
492	504	421	515	562		1,562	1,840	2,002	39
+ 22	+ 4	+ 113	+ 102	+ 77		+ 110	+ 79	+ 296	40
- 125	- 113	- 99	- 101	- 145		- 347	- 422	- 458	41
- 103	- 109	+ 14	+ 1	- 68		- 237	- 343	- 162	42
367	370	430	524	548		1,515	1,434	1,872	43
78	74	77	104	107		285	286	362	44
445	444	507	628	655		1,800	1,720	2,234	45
368	376	327	369	382		1,215	1,387	1,454	46
114	104	118	119	143		311	400	484	47
482	480	445	488	525		1,526	1,787	1,938	48
- 1	- 6	+ 103	+ 155	+ 166		+ 300	+ 47	+ 418	49
- 36	- 30	- 41	- 15	- 36		- 26	- 114	- 122	50
- 37	- 36	+ 62	+ 140	+ 130		+ 274	- 67	+ 296	51
3,545	4,053	3,936	4,525	4,048		13,537	14,874	16,562	52
1,328	961	870	1,137	1,522		3,647	4,048	4,490	53
4,873	5,014	4,806	5,662	5,570		17,184	18,922	21,052	54
3,303	3,752	3,303	3,862	3,317		12,162	13,987	14,234	55
1,564	1,452	1,462	1,554	1,785		5,129	5,726	6,253	56
4,867	5,204	4,765	5,416	5,102		17,291	19,713	20,487	57
+ 242	+ 301	+ 633	+ 663	+ 731		+ 1,375	+ 887	+ 2,328	58
- 236	- 491	- 592	- 417	- 263		- 1,482	- 1,678	- 1,763	59
+ 6	- 190	+ 41	+ 246	+ 468		- 107	- 791	+ 565	60
+ 596	+ 569	+ 655	- 11	+ 153		+ 1,654	+ 2,257	+ 1,366	61
- 607	- 217	- 302	+ 546	- 395		- 1,198	- 1,401	- 368	62
- 11	+ 352	+ 353	+ 535	- 242		+ 456	+ 856	+ 998	63
...	...	+ 133	-	-		...	...	+ 133	64
- 5	+ 162	+ 527	+ 781	+ 226		+ 349	+ 65	+ 1,696	65

(3) Includes Austria, Belgium and Luxembourg, Denmark, Federal Republic of Germany, France, Greece, Greenland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey. Finland included as of January 1970.

(4) Gold production available for export has not been allocated on a bilateral basis but is included in the total for all countries.

... Not applicable.

TABLE 4. CANADA'S OFFICIAL INTERNATIONAL MONETARY ASSETS AND LIABILITIES

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of United States dollars at end of period					
	<u>Assets</u>						
	Official holdings of foreign exchange						
1	U.S. dollars	1,269	1,649	1,672	1,965	1,918	1,758
2	Other convertible currencies	16	15	16	12	9	15
3	Monetary gold	976	926	863	863	863	866
4	Special Drawing Rights .....	...	...	...	...	...	...
5	Reserve position in IMF	-	121	186	206	221	322
6	Total official international re-serves(1)	2,261	2,711	2,737	3,046	3,011	2,961
	<u>Liabilities</u>						
7	Use of IMF credit(2)	-	-	-	-	-	-
8	Foreign exchange deposit liabilities ...	1	1	1	1	1	1
9	Reported use of central bank reciprocal credit facilities	250	125	-	-	-	-
10	Total official monetary liabilities	251	126	1	1	1	1
11	Net official monetary assets	2,010	2,585	2,736	3,045	3,010	2,960
		Change in millions of Canadian dollars					
	<u>Change in Assets and Liabilities</u>						
12	Total official international reserves(3)	- 495	+ 486	+ 28	+ 331	- 38	- 54
13	Total official monetary liabilities(3)	- 269	+ 134	+ 134	-	-	-

(1) As published by the Minister of Finance.

(2) Transactions with the IMF when that institution holds Canadian dollars in excess of 100 per cent of the Canadian quota.

TABLE 4. CANADA'S OFFICIAL INTERNATIONAL MONETARY ASSETS AND LIABILITIES

1969		1970							No.
III	IV	I	II	III	IV	July	August	September	
millions of United States dollars at end of period									
1,668 14	1,744 12	2,057 14	2,770 17	2,905 13		2,810 14	2,968 13	2,905 13	1 2
872	872	879	880	880		880	880	880	3
...	...	133	143	181		143	145	181	4
402	478	515	523	574		597	610	574	5
2,956	3,106	3,598	4,333	4,553		4,444	4,616	4,553	6
-	-	-	-	-		-	-	-	7
1	1	1	1	-		-	-	-	8
-	-	-	-	-		-	-	-	9
1	1	1	1	-		-	-	-	10
2,955	3,105	3,597	4,332	4,553		4,444	4,616	4,553	11
Change in millions of Canadian dollars									
- 5	+ 162	+ 527	+ 781	+ 225		+ 114	+ 175	- 64	12
-	-	-	-	+ 1		+ 1	-	-	13

(3) These totals appear as items H4 and H5 in Table 1.

... Not applicable.

TABLE 5. CANADA'S GENERAL ACCOUNT WITH THE INTERNATIONAL MONETARY FUND(1)

	Canadian assets			Canadian liabilities (equals IMF holdings of Canadian dollars)							Canada's net balance with IMF (2)
	Transactions		Total assets	Transactions						Total liabil- ities	
	Subscription to IMF (Quota)	Loans under GAB		Subscription and loans	Foreign currencies		Canadian dollars		Other		
					Drawings by Canada	Re- payments (-)	Drawings by other countries(-)	Re- payments			
millions of United States dollars											
1947-1966	740.0	50.0	790.0	605.0	300.0	- 245.7	- 949.4	570.1	61.5(3)	341.5	448.5
1967		-15.0	775.0	- 15.0			- 30.0	45.1		341.6	433.4
1968		-35.0	740.0	- 35.0	426.0	- 64.8	- 138.5	7.3	- 2.8(4)	533.8	206.2
1969		95.5	835.5	65.5			- 293.5	43.2	8.4	357.4	478.1
1968 1		-35.0	740.0	- 35.0	426.0			7.3		739.9	0.1
11			740.0				- 121.1			618.9	121.1
111			740.0			- 64.8				554.1	185.9
1V			740.0				- 17.5		- 2.8(4)	533.8	206.2
1969 1			740.0				- 15.0			518.8	221.2
11		40.0	780.0	40.0			- 103.5		2.5(3)	457.8	322.2
111		25.5	805.5	25.5			- 87.0	0.8	6.1(3)	403.2	402.3
1V		30.0(5)	835.5				- 88.0	42.4	- 0.2(4)	357.4	478.1
1970 1		24.5	860.0	24.5			- 63.8	18.1	8.8(3)	345.0	515.0
11			860.0				- 29.7	22.2		337.5	522.5
111			860.0				- 87.5		36.4(6)	286.4	573.6
1V											

(1) Excludes Special Drawing Rights account.

(2) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow (GAB). Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million. The Canadian dollar equivalent of changes in positive balances appears as a component of item H4 in Table 1. Changes in negative balances, i.e. use of IMF credit, are shown as a component of item H5.

(3) Sales of Canadian dollars to IMF for gold.

(4) Dividend payment to Canada.

(5) Acquisition of GAB notes issued previously to another IMF member.

(6) Sales of Canadian dollars to IMF for SDR'S.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

TABLE 6. BALANCE OF PAYMENTS ADJUSTMENTS TO TRADE OF CANADA FIGURES

Item	1968				1969				1970				1968	1969	1970
	I	II	III	IV	I	II	III	IV	I	II	III	IV			
	million of dollars														
Trade of Canada EXPORTS (including re-exports)	3,022	3,517	3,372	3,694	3,467	3,815	3,556	4,035	3,939	4,501	4,051		13,605	14,873	
Adjustments:															
Wheat	+ 3	+ 29	- 21	- 15	-	+ 5	- 1	+ 9	- 6	+ 25	-		- 4	+ 13	
Aircraft and other adjustments	- 8	- 14	- 30	- 12	-	- 11	- 10	+ 9	+ 3	- 1	- 3		- 64	- 12	
Equals merchandise exports adjusted to balance of payments basis	3,017	3,532	3,321	3,667	3,467	3,809	3,545	4,053	3,936	4,525	4,048		13,537	14,874	
Trade of Canada IMPORTS ..	2,810	3,201	2,884	3,463	3,264	3,805	3,349	3,784	3,331	3,877	3,346		12,358	14,202	
Adjustments:															
Automotive products	- 38	- 37	- 28	- 44	- 46	- 64	- 42	- 30	- 22	- 4	- 34		- 147	- 182	
Aircraft and other..... equipment	- 13	- 18	+ 8	- 5	+ 13	- 29	+ 1	+ 4	- 1	- 6	+ 12		- 28	- 11	
Other adjustments	- 5	- 6	- 5	- 5	- 5	- 6	- 5	- 6	- 5	- 5	- 7		- 21	- 22	
Equals merchandise imports adjusted to balance of payments basis	2,754	3,140	2,859	3,409	3,226	3,706	3,303	3,752	3,303	3,862	3,317		12,162	13,987	
Trade balance on balance of payments basis	+ 263	+ 392	+ 462	+ 258	+ 241	+ 103	+ 242	+ 301	+ 633	+ 663	+ 731		+1,375	+ 887	

TABLE 7. RECONCILIATION STATEMENT WITH NATIONAL INCOME AND EXPENDITURE ACCOUNTS

	1969				1970				1968	1969	1970
	I	II	III	IV	I	II	III	IV			
millions of dollars											
Exports of goods and services:											
Current receipts as per Canadian Balance of											
International Payments	4,212	4,823	4,873	5,014	4,806	5,662	5,570		17,184	18,922	
Deduct:											
Current transfers:											
Personal remittances, etc.	- 22	- 23	- 23	- 23	- 24	- 24	- 25		- 95	- 91	
Capital transfers:											
Inheritances and migrants' funds	- 62	- 100	- 109	- 92	- 72	- 101	- 122		- 370	- 363	
Total exports of goods and services as per											
National Income and Expenditure Accounts ...	4,128	4,700	4,741	4,899	4,710	5,537	5,423		16,719	18,468	
Imports of goods and services:											
Current payments as per Canadian Balance of											
International Payments	4,485	5,157	4,867	5,204	4,765	5,416	5,102		17,291	19,713	
Deduct:											
Current transfers:											
Personal remittances, etc.	- 45	- 42	- 42	- 43	- 46	- 48	- 43		- 148	- 172	
Official contributions	- 16	- 49	- 46	- 33	- 31	- 42	- 79		- 133	- 144	
Capital transfers:											
Inheritances and migrants' funds	- 40	- 44	- 58	- 52	- 42	- 49	- 62		- 209	- 194	
Add:											
Withholding taxes on dividends and interest	30	32	31	46	40	34	35		126	139	
Withholding taxes on other payments(1)	16	41	17	19	26	36	10		83	93	
Total imports of goods and services as per											
National Income and Expenditure Accounts	4,430	5,095	4,769	5,141	4,712	5,347	4,963		17,010	19,435	

(1) Includes timing adjustments.

Note: Data include some revisions not yet reflected in the National Income and Expenditure Accounts.

TABLE 8. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Summary of Current Account

Period	Exports (adjusted)	Imports (adjusted)	Trade balance	Non- merchandise receipts(1)	Non- merchandise payments(1)	Non- merchandise balance	Total current account balance	Current account balance			
								With:(2) United States	With: United Kingdom	With: All other countries	
millions of dollars											
1960	5,392	5,540	- 148	1,744	2,829	- 1,085	- 1,233	1,359	+ 169	- 43	
1961	5,889	5,716	+ 173	1,899	3,000	- 1,101	- 928	1,341	+ 195	+ 218	
1962	6,387	6,203	+ 184	2,036	3,050	- 1,014	- 830	1,092	+ 225	+ 37	
1963	7,082	6,579	+ 503	2,207	3,231	- 1,024	- 521	1,148	+ 417	+ 210	
1964	8,238	7,537	+ 701	2,509	3,634	- 1,125	- 424	1,635	+ 605	+ 606	
1965	8,745	8,627	+ 118	2,736	3,984	- 1,248	- 1,130	1,937	+ 505	+ 302	
1966	10,326	10,102	+ 224	3,070	4,456	- 1,386	- 1,162	2,030	+ 425	+ 443	
1967	11,338	10,772	+ 566	3,747	4,812	- 1,065	- 499	1,342	+ 512	+ 331	
1968	13,537	12,162	+ 1,375	3,647	5,129	- 1,482	- 107	801	+ 466	+ 228	
1969	14,874	13,987	+ 887	4,048	5,726	- 1,678	- 791	770	+ 337	- 358	
1970											
1965 I	1,826	1,866	- 40	505	886	- 381	- 421	595	+ 96	+ 78	
II	2,191	2,218	- 27	648	985	- 337	- 364	532	+ 141	+ 27	
III	2,263	2,101	+ 162	930	1,058	- 128	+ 34	175	+ 138	+ 71	
IV	2,465	2,442	+ 23	653	1,055	- 402	- 379	635	+ 130	+ 126	
1966 I	2,223	2,213	+ 10	563	960	- 397	- 387	590	+ 106	+ 97	
II	2,602	2,651	- 49	734	1,065	- 331	- 380	605	+ 110	+ 115	
III	2,695	2,472	+ 223	1,033	1,223	- 190	+ 33	191	+ 101	+ 123	
IV	2,806	2,766	+ 40	740	1,208	- 468	- 428	644	+ 108	+ 108	
1967 I	2,596	2,481	+ 115	648	1,076	- 428	- 313	563	+ 127	+ 123	
II	3,003	2,975	+ 28	947	1,244	- 297	- 269	508	+ 116	+ 123	
III	2,691	2,591	+ 100	1,350	1,250	+ 100	+ 200	48	+ 102	+ 50	
IV	3,048	2,725	+ 323	802	1,242	- 440	- 117	319	+ 167	+ 35	
1968 I	3,017	2,754	+ 263	658	1,148	- 490	- 227	415	+ 124	+ 64	
II	3,532	3,140	+ 392	901	1,278	- 377	+ 15	249	+ 130	+ 134	
III	3,321	2,859	+ 462	1,254	1,403	- 149	+ 313	151	+ 115	+ 47	
IV	3,667	3,409	+ 258	834	1,300	- 466	- 208	288	+ 97	- 17	
1969 I	3,467	3,226	+ 241	745	1,259	- 514	- 273	397	+ 128	- 4	
II	3,809	3,706	+ 103	1,014	1,451	- 437	- 334	319	+ 61	- 76	
III	3,545	3,303	+ 242	1,328	1,564	- 236	+ 6	95	+ 37	- 126	
IV	4,053	3,752	+ 301	961	1,452	- 491	- 190	149	+ 111	- 152	
1970 I	3,936	3,303	+ 633	870	1,462	- 592	+ 41	284	+ 183	+ 142	
II	4,525	3,862	+ 663	1,137	1,554	- 417	+ 246	103	+ 211	+ 138	
III	4,048	3,317	+ 731	1,522	1,785	- 263	+ 468	222	+ 143	+ 103	
IV											

(1) Includes transfers.

(2) Includes gold production available for export.

TABLE 8. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

Summary of Capital Account

Period	Direct investment in Canada	Direct investment abroad	Portfolio transactions	Other capital movements in long-term forms	Resident holdings of foreign bank balances and other short-term funds abroad	Non-resident holdings of Canadian short-term paper	Other capital movements in short-term forms(1)	Net capital movement	Allocation of Special Drawing Rights	Net official monetary movements
millions of dollars										
1960	+ 670	- 50	+ 217	+ 92	- 60	+ 56	+ 269	+ 1,194	...	- 39
1961	+ 560	- 80	+ 312	+ 138	+ 142	- 58	+ 206	+ 1,220	...	+ 292
1962	+ 505	- 105	+ 294	- 6	+ 92	+ 4	+ 200	+ 984	...	+ 154
1963	+ 280	- 135	+ 471	+ 21	- 259	+ 43	+ 245	+ 666	...	+ 145
1964	+ 270	- 95	+ 645	-	- 527	+ 169	+ 326	+ 788	...	+ 364
1965	+ 535	- 125	+ 546	- 92	+ 140	- 140	+ 425	+ 1,289	...	+ 159
1966	+ 790	- 5	+ 325	+ 57	- 603	- 12	+ 251	+ 803	...	- 359
1967	+ 691	- 125	+ 473	+ 316	- 259	- 47	- 530	+ 519	...	+ 20
1968	+ 590	- 225	+ 1,063	+ 226	- 401	- 85	- 712	+ 456	...	+ 349
1969	+ 655	- 255	+ 1,832	+ 25	- 1,604	+ 250	- 47	+ 856	...	+ 65
1970										
1965 I	+ 142	- 57	+ 106	+ 22	+ 173	- 8	- 27	+ 351	...	- 70
II	+ 133	+ 33	+ 69	- 53	+ 140	- 4	+ 47	+ 365	...	+ 1
III	+ 111	- 55	+ 218	- 58	- 76	- 60	+ 110	+ 190	...	+ 224
IV	+ 149	- 46	+ 153	- 3	- 97	- 68	+ 295	+ 383	...	+ 4
1966 I	+ 134	- 22	+ 356	+ 1	- 166	+ 7	- 56	+ 254	...	- 133
II	+ 203	- 29	- 3	+ 56	- 22	- 14	+ 66	+ 257	...	- 123
III	+ 151	+ 80	+ 27	- 6	- 318	- 41	- 12	- 119	...	- 86
IV	+ 302	- 34	- 55	+ 6	- 97	+ 36	+ 253	+ 411	...	- 17
1967 I	+ 154	- 37	+ 116	+ 45	+ 344	+ 17	- 341	+ 298	...	- 15
II	+ 186	- 16	+ 29	+ 51	+ 42	- 12	- 63	+ 217	...	- 52
III	+ 166	- 34	+ 102	+ 85	- 310	- 77	- 76	- 144	...	+ 56
IV	+ 185	- 38	+ 226	+ 135	- 335	+ 25	- 50	+ 148	...	+ 31
1968 I	+ 53	- 88	+ 142	+ 58	- 99	- 30	- 573	- 537	...	- 764
II	+ 225	- 6	+ 470	+ 60	+ 10	- 51	- 103	+ 605	...	+ 620
III	+ 137	- 20	+ 268	- 12	- 170	- 25	- 329	- 151	...	+ 162
IV	+ 175	- 111	+ 183	+ 120	- 142	+ 21	+ 293	+ 539	...	+ 331
1969 I	+ 156	- 52	+ 536	- 80	- 156	+ 169	- 338	+ 235	...	- 38
II	+ 233	- 103	+ 422	- 20	- 568	+ 63	+ 253	+ 280	...	- 54
III	+ 79	- 25	+ 558	- 16	- 621	- 78	+ 92	- 11	...	- 5
IV	+ 187	- 75	+ 316	+ 141	- 259	+ 96	- 54	+ 352	...	+ 162
1970 I	+ 200	- 150	+ 561	+ 44	+ 206	- 78	- 430	+ 353	+ 133	+ 527
II	+ 155	- 15	- 61	- 90	- 5	+ 132	+ 419	+ 535	-	+ 781
III	+ 110	+ 20	+ 171	- 148	- 437	+ 29	+ 13	- 242	-	+ 226
IV										

(1) Includes errors and omissions.

... Not applicable.

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SYSTEM OF NATIONAL ACCOUNTS

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER

1970

Published by Authority of
The Minister of Industry, Trade and Commerce

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REFERENCE PUBLICATIONS

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information	1.50
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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER 1970

Economic activity in Canada in 1970 was relatively subdued as the rate of real growth, as measured by the constant dollar value of the Gross National Product, fell to 3.3 per cent from 4.8 per cent in 1969. With the inclusion of the effects of price increases, G.N.P. in current dollar terms, rose, however, by about 7.5 per cent. Exports, especially of merchandise, were one of the more buoyant sectors of the economy throughout the year. Exports of goods and invisibles as a whole rose 13 per cent above the 1969 level with both merchandise exports and invisibles increasing at about the same rate. On the other hand the value of merchandise imports, reflecting the slack in the economy, dropped marginally from the previous year so that imports of goods and invisibles, together, only rose by 2 per cent. As a result of these differing rates of growth the 1969 current account deficit of \$751 million swung to a surplus of \$1,297 million in 1970, the first annual surplus since 1952. The major factor in this change was the \$2,142 million increase in the merchandise trade surplus to \$3,002 million. Non-merchandise transactions led to a larger deficit of \$1,705 million. The current account balance, adjusted for seasonal variations, showed particularly strong growth in the first and fourth quarters of the year. Some decline from the first quarter level was evident in the middle two quarters.

Summary Statement

	1968	1969	1970	1969	1970				
				IV Q	I Q	II Q	III Q	IV Q	
	millions of dollars								
Merchandise trade balance	+ 1,375	+ 860	+ 3,002	+ 299	+ 631	+ 650	+ 731	+ 990	
Balance on non-merchandise transactions	- 1,482	- 1,611	- 1,705	- 471	- 576	- 398	- 253	- 478	
Current account balance	- 107	- 751	+ 1,297	- 172	+ 55	+ 252	+ 478	+ 512	
Capital movements in long-term forms ..	+ 1,654	+ 2,257	+ 814	+ 569	+ 644	- 44	+ 149	+ 65	
Capital movements in short-term forms	- 1,198	- 1,441	- 581	- 235	- 305	+ 573	- 401	- 448	
Net capital movement(1)	+ 456	+ 816	+ 233	+ 334	+ 339	- 529	- 252	- 383	
Allocation of Special Drawing Rights ..	...	...	+ 133	...	+ 133	-	-	-
Net official monetary movements	+ 349	+ 65	+ 1,663	+ 162	+ 527	+ 781	+ 226	+ 129	

(1) Excluding items shown below.

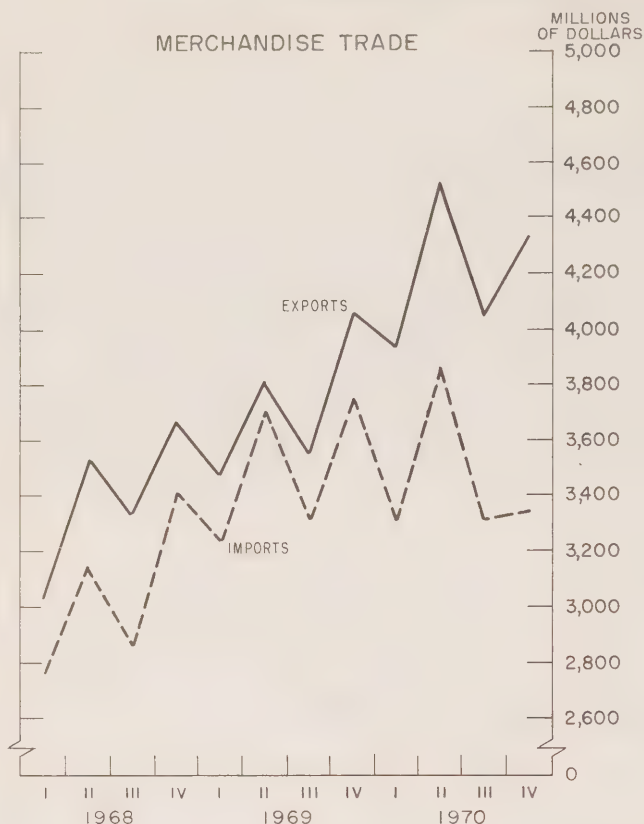
... Not applicable.

Apart from the general slackness of the economy, special factors affecting patterns of activity in 1970, were the boost in exports early in the year to catch up on strike interrupted deliveries in 1969; the floating of the Canadian dollar at the end of May and its subsequent marked appreciation; a gradual easing of monetary policy especially in the last three quarters of the year which had to take into account not only domestic requirements but also the effects of differential interest rates on the exchange rate and international reserves; a general slackness in the United States economy with some buoyancy elsewhere; and the pervasive effects, especially in the fourth quarter, of the continent-wide strike against General Motors Corporation.

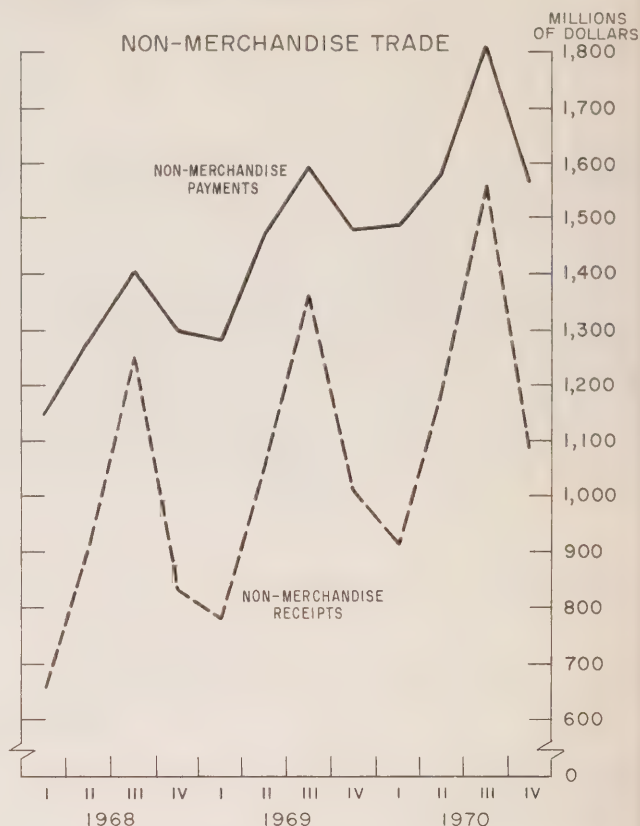
Inflows of capital in long-term forms declined by \$1,443 million to \$814 million as new Canadian issues sold to non-residents fell by almost \$800 million to \$1,269 million. With a gradual easing of monetary conditions in Canada, especially in the latter part of the year, and in response to official requests to limit their issues abroad, Canadian borrowers obtained a far greater proportion of their funded debt requirements domestically in 1970 than in 1969. Other principal factors which may have contributed to the reduced net inflow of long-term capital, apart from the general economic slowdown, were the most protracted slide in stock prices experienced in recent years on North American exchanges causing investors, including institutions, to re-evaluate their holdings; a narrowing of interest rate differentials especially with Europe; uncertainty about pending changes in Canadian tax law; and a growing public debate on the role of foreign capital in Canada.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

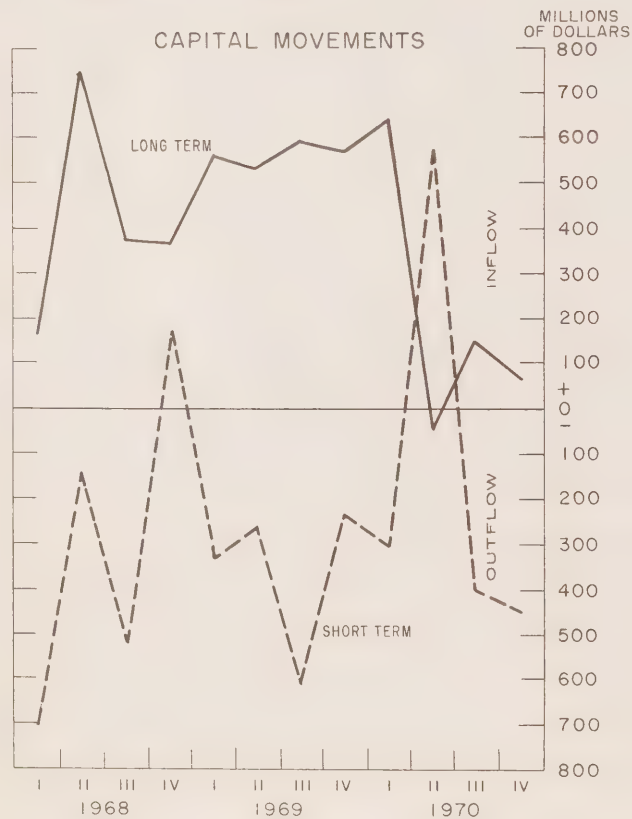
MERCHANDISE TRADE



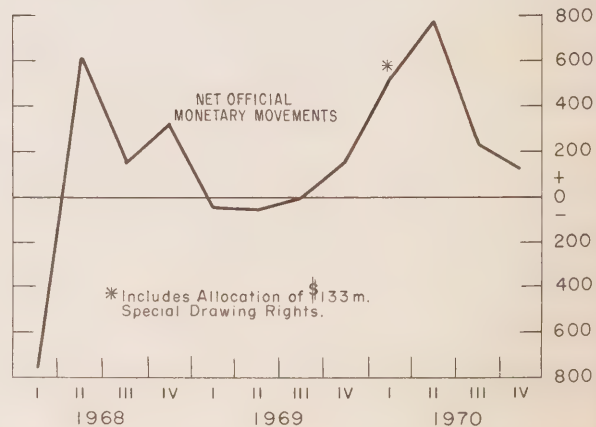
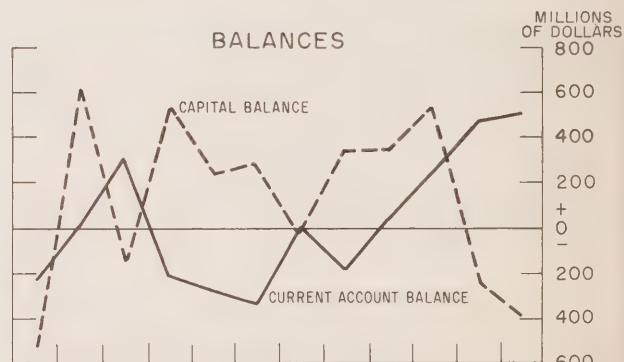
NON-MERCHANDISE TRADE



CAPITAL MOVEMENTS



BALANCES



Short-term capital outflows fell by \$860 million to \$581 million. The main element in this change was a reduction of \$1,228 million in the outflow to increase Canadian holdings of bank balances and other short-term funds abroad. There were significant inflows as non-residents increased their holdings of Canadian money market instruments. These changes were mainly occasioned by arbitrage movements taking advantage of hedged interest rate differentials. At times during the year these differentials widened appreciably principally due to a substantial premium which developed for the forward Canadian dollar in the second and third quarters. It should be noted that the category "other short-term capital transactions" includes amounts which have not yet been identified. This errors and omissions element of the Canadian balance of international payments during 1970, as currently measured, reflects unidentified net payments of about \$400 million.

Canada's net official monetary assets increased by \$1,663 million in 1970. Some \$133 million of this increase was accounted for by Canada's share of the Special Drawing Rights which the International Monetary Fund allocated to participating member countries on January 1, 1970. Apart from this transaction Canada's international reserves still rose substantially in the first quarter of 1970 and even more sharply in the following two months. With the possibility of reserves rising far in excess of Canada's needs and in order to avoid an immediate problem of financing any further accumulation the Canadian authorities announced on May 31, 1970 that they would no longer peg the Canadian dollar to within one per cent of its par value of 92 1/2 US cents.

Preliminary estimates produced on the basis of available data indicate that Canada's balance of international indebtedness recorded a slight increase of perhaps a quarter of a billion dollars in 1970 reaching a book value of over \$28 billion by the end of the year. This is the smallest increase in Canada's net international indebtedness position since the slight decrease recorded in 1952 which incidentally was the last occasion when Canada experienced a current account surplus. Long-term foreign investment rose by about \$2 billion reflecting both an inflow of long-term capital and an increase in earnings accruing to non-residents. Other non-resident claims on Canadians brought the total of Canada's external liabilities to over \$49 billion. The total outflow of domestic long-term capital together with an increase in earnings accruing to Canadians abroad caused the total book value of Canadian long-term investment abroad to rise to over \$11 billion at the end of 1970. Due mainly, however, to the large rise in net official monetary assets, total Canadian assets abroad registered an increase of over \$2 billion to about \$21 billion at the end of 1970. The change in status of Brascan Limited from a Foreign Business Corporation to a resident Canadian corporation in 1970 resulted in significant increases in both the assets and liabilities accounts. These changes were, however, of equal magnitude and therefore did not affect the net indebtedness position. It should also be noted that the switchover of accounting records of certain major Canadian corporations from Canadian to United States dollars together with the appreciation of the Canadian dollar have combined to effect changes of varying degrees on both Canadian liabilities and assets (particularly the latter), and consequently on the net international indebtedness position.

Merchandise Trade

In 1970 merchandise transactions between Canada and the rest of the world reflected the relatively subdued pace of economic activity in Canada and the United States and the buoyant conditions in other principal markets for Canadian goods such as some Western European countries and Japan. This situation occasioned a slight drop in the level of imports into Canada to \$13,839 million while exports rose significantly to \$16,841 million. This performance on merchandise trade gave rise to a record trade surplus of \$3,002 million.

At 13 per cent the rate of growth of merchandise exports in 1970 was one third higher than in 1969. This was achieved despite the rise in the value of the Canadian dollar following its unpegging at June 1, 1970 and was all the more remarkable since it was accomplished largely as a result of gains in Canadian exports to overseas countries. The value of exports to these countries was over one third higher than in 1969 and provided more than three quarters of the increase in sales. Partly due to greater Canadian penetration in a number of relatively small markets, the share of Canada's exports going to overseas countries increased from 29 per cent in 1969 to 35 per cent in 1970. The United States share correspondingly declined to 65 per cent. The overall growth rate of exports was in line with the 1970 rate of growth of world exports in general and of developed countries in particular.

Merchandise Exports 1970

Selected exports by destination with adjustments for Balance of Payments purposes

	Destination						Per cent of total domestic exports (Trade of Canada)
	United States	United Kingdom	Other Western Europe	Japan	Other countries	All countries	
	millions of dollars						
<u>DOMESTIC EXPORTS (Trade of Canada)</u>	10,641	1,480	1,588	793	1,956	16,458	100.0
Of which:							
Motor vehicles, engines and parts	3,331	5	13	1	220	3,570	21.7
Newsprint paper	872	60	16	11	151	1,110	6.7
Crude petroleum and natural gas	855	-	-	-	-	855	5.2
Nickel ores and alloys	331	207	190	34	41	803	4.9
Wood pulp	485	50	127	70	53	785	4.8
Copper ores and alloys	162	168	205	163	39	737	4.5
Wheat	1	92	101	77	413	684	4.2
Lumber	461	66	31	68	43	669	4.1
Aluminum ores and alloys	184	110	58	40	86	478	2.9
Iron ore	313	54	87	22	-	476	2.9
Fabricated iron and steel	284	25	32	10	74	425	2.6
Aircraft engines and parts	239	11	76	-	53	379	2.3
<u>RE-EXPORTS (Trade of Canada)</u>	346	19	26	2	36	429	...
<u>ADJUSTMENTS</u>							
Wheat	-	5	- 1	- 2	4	6	...
Automobiles	- 37	-	-	-	-	- 37	...
Aircraft and other adjustments ..	3	-	- 18	-	-	- 15	...
<u>EXPORTS (adjusted for Balance of Payments)</u>	10,953	1,504	1,595	793	1,996	16,841	...

Among factors which contributed to the commodity exports performance in 1970 was the resumption of a large volume of deliveries of wheat to state trading countries (especially the Soviet Union) coupled with large shipments of barley and rapeseed. Wheat exports were boosted by a reduction in the supply of wheat in world markets due to drought conditions in grain exporting countries such as Australia, Argentina and France and by government assisted sales to such countries as Peru and the United Arab Republic. Barley exports profited from setbacks in the United States where, as a result of the Southern Corn Blight, there were lower yields. Catch-up requirements of metals following the 1969 strikes in the mining industry in Canada added to the strength in demand for mineral resource products. On the other hand exports of forest products were adversely affected by lower residential construction activity in the United States, strikes at mills and by towboat operators as well as by the appreciation of the Canadian dollar. Exports of manufactured products were influenced by sluggish demand for durable goods generally and by strikes in the last months of 1970. On a commodity basis the principal increases in exports occurred in wheat and barley, iron ore, nickel, copper, crude petroleum and natural gas, fertilizers and steel. End products, including motor vehicles, engines and parts sales of which increased by \$80 million, rose by 4 per cent as against 25 per cent in 1969.

Merchandise Imports 1970

Selected imports by source with adjustments for Balance of Payments purposes

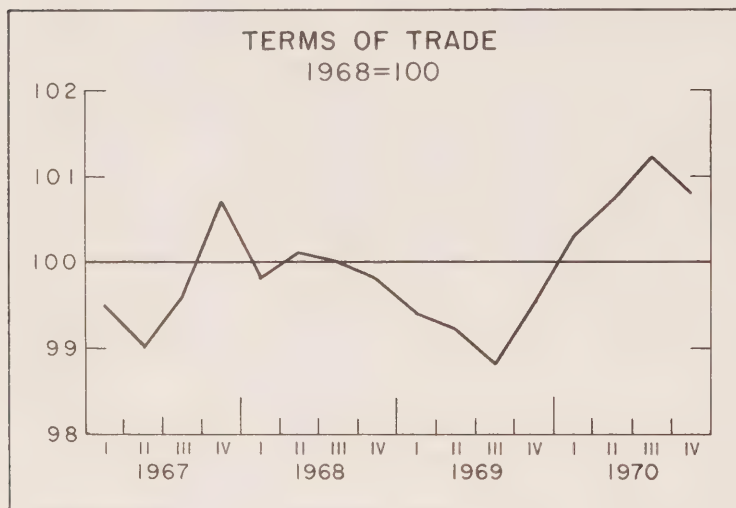
	Source							Per cent of total imports (Trade of Canada)
	United States	United Kingdom	Other Western Europe	Japan	Venez- uela	Other countries	All countries	
	millions of dollars							
<u>IMPORTS (Trade of Canada)</u>	9,905	738	1,196	582	339	1,180	13,940	100.0
Of which:								
Motor vehicles, engines and parts	2,886	60	180	112	-	1	3,239	23.2
Chemicals and chemical products	572	33	89	11	-	7	712	5.1
Crude petroleum, fuel oil and other petro- leum products	67	2	9	-	338	205	621	4.5
Fabricated iron and steel	273	35	49	68	-	16	441	3.2
Aircraft, engines and parts	351	22	10	-	-	1	384	2.8
Communication equipment	240	17	27	85	-	10	379	2.7
Electronic computers and office equipment	260	15	26	12	-	1	314	2.3
Tractors and agricul- tural machinery	271	18	18	2	-	-	309	2.2
<u>ADJUSTMENTS</u>								
Automotive products	- 95	-	-	-	-	-	- 95	...
Aircraft and other equipment	+ 17	-	-	-	-	-	+ 17	...
Other adjustments	- 16	- 6	- 1	-	-	-	- 23	...
<u>IMPORTS (adjusted for Balance of Payments)</u>	9,811	732	1,195	582	339	1,180	13,839	...

With imports actually falling below the 1969 total to \$13,839 million and the Gross National Product rising by 7.5 per cent (in current dollar terms), the upward trend in the ratio of merchandise imports to G.N.P. which, during the previous five years rose by two percentage points to reach 18 per cent in 1969, was reversed dropping to 16 per cent in 1970. The downturn in imports reflected in part the countervailing influences of lower unit values of imports following the appreciation of the dollar in mid-year, and the stimulative effects which the rise in the value of the Canadian dollar should have provided to purchases from abroad. In addition there was a general sluggishness in the economy with softness in the domestic retail market, rising unemployment, restrained business spending and a decline in manufacturing activity. These general problems were exacerbated throughout much of the fourth quarter of the year by the continent-wide strike against General Motors. The decline in Canadian merchandise imports does not seem to have been paralleled in other developed countries which, as a group, in the first three quarters of 1970 increased their imports by about 16 per cent compared with the same period of 1969. There was a reduction of about 10 per cent in Canadian imports of automobiles. Other products showing reductions in imports were excavating and agricultural machinery, communications equipment, lumber, fuel oil, steel and precious metals. Increases in imports were recorded for food and beverages, coal, crude petroleum, inorganic chemicals, metal-working and pulp and paper industries machinery, computers and other office machines and equipment.

Adjustments to recorded merchandise trade for balance of payments purposes as shown in Table 6 included a net decrease of \$46 million from exports mainly for timing corrections in respect of aircraft deliveries and progress payments and for retroactive automobile price adjustments. The deduction from merchandise exports in respect of the retroactive automobile price adjustment is offset by an equivalent credit taken in the business services account. A deduction of \$101 million from imports

reflected mainly the elimination of amortization and other automotive special tooling charges which are included in business services. The net effect of these adjustments has been an increase of \$55 million to the recorded trade balance.

Export prices in 1970 were on average, in Canadian dollar terms, about 3 per cent higher than in 1969. In the first five months of the year they climbed by over 2 per cent above the level at the end of 1969. In the ensuing period following the appreciation of the dollar, prices fell back virtually to the level of December 1969 and below that of January 1970. The reversal in the movement of export prices which occurred in the second half of the year reflects a possible reduction in prices by exporters to maintain their competitive position as well as a lowering of the Canadian dollar equivalent of prices expressed in foreign currencies due to the appreciation in the value of the dollar which took place after June 1, 1970. World supply and demand conditions for selected non-ferrous metals also dictated some price declines. By the end of the year prices of crude and fabricated materials had declined by about 5 per cent below the highest levels reached prior to the floating of the exchange rate. Prices of end products, however, moved up by about 2 per cent during 1970.



Import prices, which over the year as a whole rose by about 2 per cent above the 1969 average, reached a peak in May of some 2 per cent above the level at the beginning of the year. As in the case of exports, import prices moved downwards over the last seven months of 1970 reflecting reduced unit values as a result of the rise in the value of the Canadian dollar. By the end of the year prices had fallen to a level which was below that existing in December 1969 and January 1970.

Non-merchandise Transactions

In 1970 receipts from non-merchandise transactions including transfers rose by 12 per cent to \$4,739 million while payments increased by 10 per cent to \$6,444 million. The deficit on these transactions went up therefore by about 6 per cent to \$1,705 million. Service receipts at \$4,252 million went up by 13 per cent while service payments climbed by 10 per cent to \$5,848 million. The deficit on the services, which represented 94 per cent of the total deficit on invisibles, increased by about 3 per cent to \$1,596 million. Increases amounting in total to \$169 million in the deficits on travel, interest and dividends, and business services were offset to the extent of about 86 per cent by the strengthening in the balances on freight and shipping and miscellaneous income. Total transfer receipts rose by 7 per cent to \$487 million, while payments, due mainly to a relatively large increase in official contributions, advanced by 17 per cent to \$596 million.

Interest and Dividends and Miscellaneous Income

Period	Receipts				
	Interest	Dividends	Sub-total	Miscellaneous income (1)	Grand total
millions of dollars					
1968	102	251	353	237	590
1969	161	253	414	433	847
1970	240	273	513	562	1,075
1969 I Q	32	56	88	102	190
II Q	36	76	112	102	214
III Q	32	53	85	110	195
IV Q	61	68	129	119	248
1970 I Q	40	72	112	141	253
II Q	56	65	121	140	261
III Q	61	62	123	141	264
IV Q	83	74	157	140	297
Payments					
	Interest	Dividends	Sub-total	Miscellaneous income (1)	Grand total
1968	546	713	1,259	373	1,632
1969	649	696	1,345	459	1,804
1970	744	780	1,524	535	2,059
1969 I Q	142	156	298	108	406
II Q	174	144	318	117	435
III Q	150	144	294	112	406
IV Q	183	252	435	122	557
1970 I Q	176	212	388	126	514
II Q	197	155	352	134	486
III Q	180	173	353	128	481
IV Q	191	240	431	147	578

(1) In the main balance of payments tables, this is included in other service receipts and other service payments; it includes, in addition to income on short-term and miscellaneous long-term investment, all services associated with international banking and insurance operations.

The net balance from receipts and payments of interest and dividends reached a deficit of \$1,011 million, increasing by \$80 million over the 1969 net total. Although both income receipts and payments recorded exceptionally large gains in 1970, the increase in the latter amounting to \$179 million had nearly twice as strong an impact on the net balance as the rise in receipts of \$99 million. The sharpest relative rise occurred in interest receipts which rose in all four quarters of 1970, aggregating \$240 million for the year - an increase of \$79 million over the 1969 figure. By far the most important contributor to this spurt in earnings was that generated from official holdings of foreign exchange. Receipts of dividends recorded a moderate gain of \$20 million over 1969 and amounted to \$273 million in 1970. The pattern of geographical origin of these receipts continued to be similar to that established in the previous years showing about three fifths of the total to have come from the United States. More than one half of the total increase in interest and dividend disbursements was accounted for by payments of interest which rose from \$649 million in 1969 to \$744 million in 1970. Almost three fourths of this increase was attributable to larger interest payments on bonds of provincial governments held by non-residents. In general, the country distribution of these payments retained a structure similar to that of the past with the notable exception of countries of continental Europe to which interest payments increased at a faster rate. Increased profits from the operations of unincorporated branches of foreign companies and a sharp rise in dividend payments by Canadian subsidiaries of foreign companies accounted for the whole of the \$84 million increase in total dividend payments which amounted to \$780 million in 1970. The United States bolstered its predominant position in the geographical distribution of dividend

payments, receiving over four fifths of the total in 1970. The net balance from receipts and payments accounted for about 59 per cent of the deficit on non-merchandise transactions, one percentage point higher than in 1969.

The deficit on travel continued to increase rising to \$235 million from \$218 million in the previous year. The largest relative increases for both receipts and payments occurred in travel expenditures vis-à-vis overseas countries. Canadian travel expenditures with these countries rose by 31 per cent as against an increase of 4 per cent in travel expenditures with the United States. Receipts from overseas travellers went up by 25 per cent which was about twice the rate of growth of expenditures of United States residents travelling to Canada. This development in overseas travel reflects in part the increase in Canadian travel expenditures as a result of the 1970 World Exposition in Osaka, Japan, and the upsurge in charter operations to Europe and the Caribbean area which have seen significant growth in recent years and reached record proportions in 1970.

The largest change in the balance on the invisible items took place on freight and shipping. The balance on this account strengthened by \$91 million, surging from a deficit of \$55 million to a surplus of \$36 million. With the ratio of the receipts and payments to merchandise exports and imports, respectively, remaining practically unchanged the movement on this account reflected the change in merchandise trade. This has been the first time since 1952 that a surplus has appeared in this account.

All Other Service Transactions(1)

	Receipts			Payments		
	1968	1969	1970	1968	1969	1970
	millions of dollars					
Government transactions, excluding official contributions	164	177	185	214	216	227
Miscellaneous income (2)	237	433	562	373	459	535
Business services and other transactions	439	625	630	854	1,019	1,096
Totals	840	1,235	1,377	1,441	1,694	1,858
Net balances .....	...	...	...	- 601	- 459	- 481

(1) Personal and institutional remittances are now shown separately in the transfers section of the main balance of payments tables.

(2) Includes income on short-term and miscellaneous long-term investment and on all services associated with international banking and insurance operations.

Largely as a result of an increase of \$72 million in the deficit on business services which was partly offset by the swing from a deficit to a surplus on miscellaneous income due to higher banking earnings and income on short-term investments. The deficit on the "Other Services" account increased by about 5 per cent to \$481 million. The totals for business services and other transactions for both 1969 and 1970 have been revised to cover additional receipts and payments for a number of services involving the non-corporate sector which, following a preliminary review of this area, appeared to be undercovered. In addition, service receipts for 1969 were revised to include retroactive automobile price adjustments which were deducted as a balance of payments adjustment from merchandise exports. Gold production available for export continued to fall dropping from \$108 million in 1969 to \$95 million in 1970. This was the second consecutive annual decline from the \$120 million level reached in 1968.

The deficit on transfers, largely due to an increase of about 40 per cent in official contributions, nearly doubled in 1970 to \$109 million. There was an increase of 5 per cent in net inflows on account of inheritances and migrants' funds, largely due to higher per capita amounts from a smaller number of immigrants. The net payment balance for personal and institutional remittances rose marginally. Official contributions went up by 40 per cent to \$201 million. The increase occurred mainly in the international food aid program and the international assistance account which consists of technical and economic assistance to developing countries. Disbursements under the international food aid program the bulk of which was wheat, represented about one half of the \$201 million in foreign aid.

Current Account Transactions in the Fourth Quarter - Seasonally Adjusted

In the fourth quarter of 1970, the current account balance, seasonally adjusted at quarterly rates, registered the fourth consecutive quarterly surplus soaring to a high of \$571 million. This was over three times the third quarter surplus and amounted to 44 per cent of the total surplus for the year. About 90 per cent of this improvement was due to the 54 per cent increase in the merchandise trade surplus which rose to \$991 million in the fourth quarter. Merchandise imports fell by about 9 per cent to \$3,188 million, the lowest level since the third quarter of 1968 while exports, following two successive decreases moved up slightly to \$4,179 million. At this level exports were 2 per cent down from the first quarter of 1970.

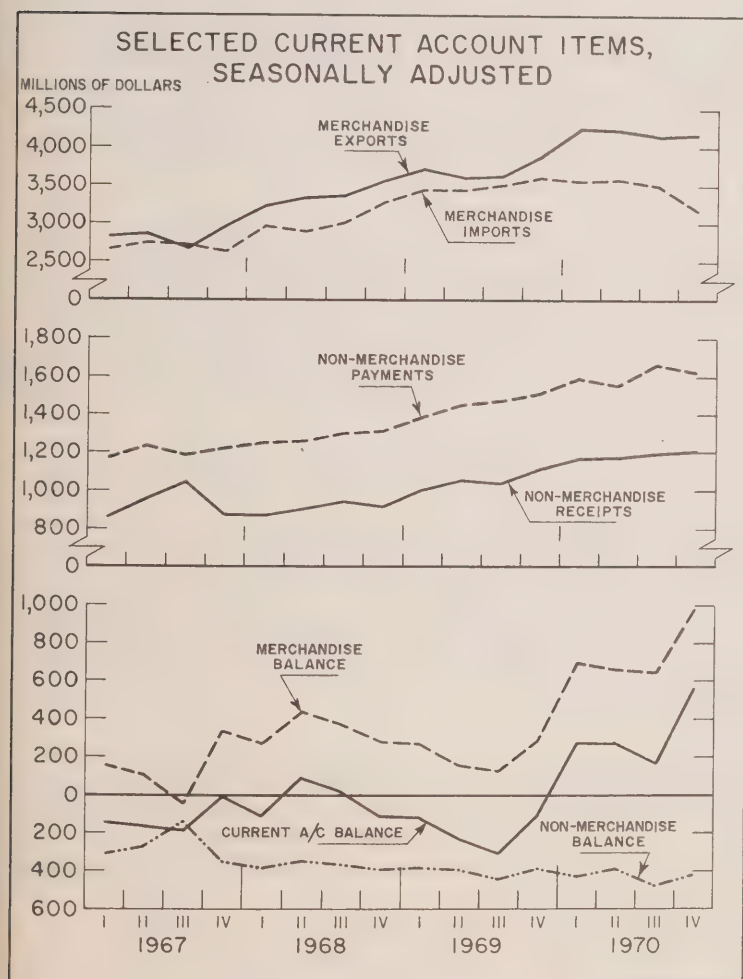
On non-merchandise transactions there was only a slight increase in total service receipts as the expansion in foreign travel expenditures in Canada which rose by 10 per cent to \$320 million was practically offset by reductions in interest and dividends, freight and shipping, and other service receipts. Service payments declined by 2 per cent to \$1,466 million. The increase of 6 per cent or \$26 million on other service payments was more than offset by reductions of 4, 9 and 2 per cent in travel, interest and dividends and freight and shipping payments respectively, equivalent to a total of \$59 million. The deficit on services therefore fell by 9 per cent to \$387 million.

The deficit on transfers showed a significant improvement of some 27 per cent from the third quarter level. The notable change among the transfers was the 18 per cent reduction to \$56 million in official contributions from the high level of \$68 million recorded in the third quarter. In the fourth quarter the reduction in total non-merchandise payments together with the decline in merchandise imports produced the lowest level of total current payments since the fourth quarter of 1968.

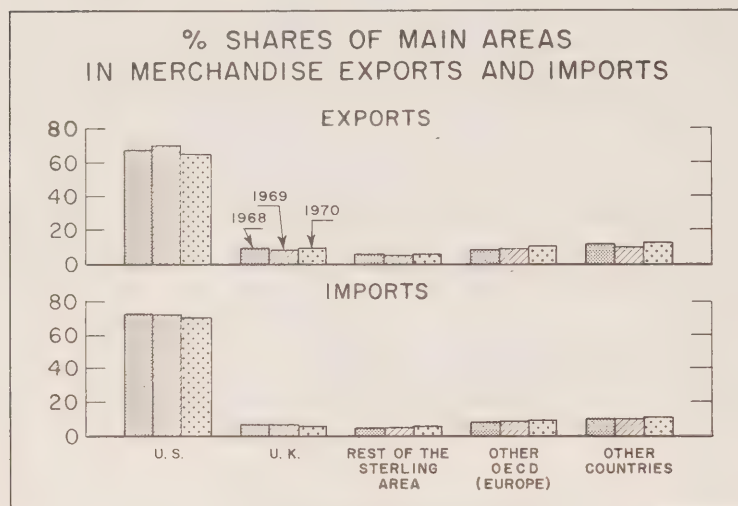
Transactions by Areas

In transactions with the United States the current account balance reversed dramatically from a deficit of \$733 million in 1969 to a surplus of \$333 million in 1970. The surplus on merchandise trade more than tripled to \$1,142 million as merchandise exports increased by 4 per cent to \$10,953 million while imports declined to \$9,811 million.

The rate of growth of exports to the United States in 1970 was 11 percentage points lower than that of 1969. With the increase in exports to the United States accounting for only 23 per cent of the total expansion in exports the share of the United States market in total Canadian exports fell by 5 points to 65 per cent. This dramatic change in the export performance vis-à-vis the United States was a reflection of the generally depressed economic conditions in the United States in 1970 when there was a relatively high rate of unemployment and a decline in real output. There was also a slowdown in automotive sales in the United States which was accentuated by the strike at General Motors. Canadian exports of motor vehicles, engines and parts recorded only a very slight increase of 2 per cent as compared to the over 35 per cent advance in the previous year. Shipments of iron ore, nickel, copper, crude petroleum and natural gas were higher. On the other hand exports of aluminum, woodpulp and newsprint declined while lumber fell by about \$100 million as a result of a reduced tempo in the residential construction industry. At \$9,811 million imports from the United



States in 1970 were lower by about 3 per cent than the previous year, further reducing the United States share in total Canadian imports by 1 percentage point to 71 per cent. Imports of end products declined by about 7 per cent while increases were recorded for imports of crude and fabricated materials and live animals.



On non-merchandise transactions an increase of 9 per cent in receipts, which rose to \$3,020 million, and of 7 per cent in payments, which went up to \$4,129 million, resulted in a very small widening of \$9 million in the non-merchandise deficit to \$1,109 million. A combined increase of \$119 million in the interest and dividend and other service deficits was more than offset by an improvement of \$123 million in the travel, freight and shipping and inheritances and migrants' funds balances. Gold production available for export, however, which is conventionally credited to the United States account, fell by \$13 million to \$95 million.

If the credit representing gold production available for export is excluded, Canada's current account with the United States in 1970 would show a deficit of \$62 million. Capital movements between the two countries produced a net capital inflow of \$715 million as a net influx of capital in

long-term forms of \$958 million outweighed a short-term capital outflow of \$243 million. In sum, these transactions with the United States gave rise to net receipts by Canada of \$653 million. When the change in official reserves held in the United States is taken into consideration, however, Canada made large multilateral payments to that country. This contrasted with the exceptional situation in 1969 when Canada's net receipts on current and capital accounts with the United States were combined with a reduction in official holdings of United States dollars to offset deficits in total transactions with other areas.

With the United Kingdom total current receipts grew by 29 per cent while payments rose by only 3 per cent to produce an expansion of \$441 million in the current account surplus to \$764 million. Almost all of this improvement was due to an increase of \$438 million in the merchandise trade surplus which was the result of a 34 per cent growth in exports and a 7 per cent drop in imports. Increased United Kingdom purchases from Canada partly reflected the rebuilding of stocks which had been rundown in the previous year as a result of the strikes in mineral industries in Canada, as well as the effects of the gradual reduction in the rate of United Kingdom import deposit requirements which were eliminated in December. The rate of increase of Canadian exports to the United Kingdom was more than three times the rate of growth of total imports by the United Kingdom in the first nine months of 1970 over the corresponding period in 1969. This reversed the downturn in exports to the United Kingdom which occurred in 1969 raising the share of the United Kingdom market in total Canadian sales abroad by about 1 1/2 percentage points to almost 9 per cent. There were increased sales of metals, such as iron ore, copper, aluminum and nickel. Non-merchandise transactions showed large but roughly equal increases of 18 and 17 per cent in receipts and payments respectively so that the non-merchandise deficit of \$8 million remained substantially unchanged from the 1969 deficit of \$11 million. Among the service items, the surplus on "other service" transactions and freight and shipping widened in total by \$70 million while the travel and interest and dividend deficits rose altogether by \$52 million. The surplus on inheritances and migrants' funds, due mainly to a drop of some 17 per cent in the number of immigrants from the United Kingdom, declined by \$14 million.

With the Rest of the Sterling Area the current account surplus more than doubled to \$127 million from \$55 million in 1969. This change arose from an increase of \$125 million in the merchandise trade surplus which was partially offset by a deterioration of \$53 million in the non-merchandise balance. Merchandise exports for this group of countries increased impressively rising by 27 per cent over the 1969 level to \$785 million. On the other hand imports registered only a moderate increase of 7 per cent to \$629 million. Exports to India, Australia and Pakistan were up in total by over \$100 million. There were smaller increases in sales to South Africa, New Zealand and Singapore. More wheat was shipped to India and Pakistan with India also purchasing more lead, nickel and zinc. Shipments of motor vehicle parts and newsprint to Australia were also higher. Reductions in imports from Jamaica, Trinidad and the Trucial States partially offset an increase of \$73 million in imports from Australia and Nigeria. The increase in imports from the latter country represented a resumption of crude petroleum purchases following the end of the civil war.

As non-merchandise receipts remained in total unchanged at \$273 million, the movement of \$53 million in the non-merchandise balance to a deficit of \$29 million was due entirely to the 21 per cent increase in non-merchandise payments which rose to \$302 million. The service and transfer items contributed almost equally to the decline in the non-merchandise balance with official contributions increasing by \$25 million followed by a narrowing of the surplus on interest and dividends and a widening of the travel deficit together amounting to \$29 million.

With the OECD (Europe) group of countries total current receipts increased in 1970 by 33 per cent to \$2,018 million while payments increased by only 10 per cent to \$2,047 million. This resulted in the current account deficit falling by over 90 per cent to \$29 million, the lowest deficit since 1960. The merchandise trade surplus advanced more than five-fold to \$420 million over the 1969 level as merchandise exports increased by 34 per cent to \$1,616 million while imports increased by only 7 per cent to \$1,196 million. Exports to this group of countries burgeoned to meet the demands of expanding economies passing through a period of particular buoyancy. Of the sixteen countries within this group all except Austria recorded increases in their purchases from Canada. The largest gains were registered for Germany, the Netherlands, Belgium, Norway and Italy. More nickel, copper, iron ore, woodpulp, pig iron, zinc, barley and rapeseed were exported to this group of countries. On imports, Sweden, Germany and Finland registered increases totalling \$50 million. Imports of fabricated iron and steel declined while small increases occurred in aircraft, office equipment, and agricultural machinery.

On non-merchandise transactions where payments amount to over twice the receipts, the deficit rose by 6 per cent to \$449 million despite an advance of 26 per cent in receipts to \$402 million and a lower increase of 15 per cent in payments. An advance of \$53 million in the deficits on travel and other services was partially offset by the reduction of \$16 million in the freight and shipping deficit and by small improvements totalling \$10 million in the balances on interest and dividends and transfers.

With the Other Countries group total receipts from current transactions jumped by 37 per cent to \$2,400 million. As total payments increased by only 10 per cent to \$1,998 million the current account balance shifted from a deficit of \$55 million in 1969 to a substantial surplus of \$402 million in 1970. The \$549 million gain in merchandise exports which rose to \$1,983 million and which accounted for 85 per cent of the increase in total current receipts from these countries represented 28 per cent of the total increase in Canadian exports. Imports advanced by a moderate 6 per cent to \$1,471 million. Over 30 per cent of the increase in exports to this group of countries came from sales to Japan which was experiencing buoyant economic conditions.

Increases in sales to Japan were recorded for lumber, copper, nickel, iron ore, coal, woodpulp, barley and rapeseed. On the other hand Japan purchased less newsprint and aluminum.

Exports to the U.S.S.R., consisting mainly of wheat, increased more than ten-fold or by over \$90 million from the low 1969 level. There were export increases of \$40 million and \$35 million to Brazil and the United Arab Republic respectively. Smaller but relatively significant export increases of between \$10 - \$20 million were recorded with Yugoslavia, Syria, Algeria, the People's Republic of China, Indonesia, Venezuela, Cuba, Dominican Republic, Mexico and Puerto Rico.

There were increased purchases from Japan which advanced by 17 per cent to \$582 million, as well as from Columbia, Taiwan and Brazil, and lower imports from Mexico, the People's Republic of China, Venezuela and Panama.

A rise of 30 per cent in non-merchandise receipts to \$417 million and an advance of 24 per cent to \$527 million in payments produced an increase of \$8 million in the non-merchandise deficit which rose to \$110 million. Official contributions to this group of countries increased by 61 per cent or \$33 million. A total increase of \$50 million in the deficit on travel, miscellaneous income transactions and personal and institutional remittances was more than offset by the improvements in the balances on interest and dividends and freight and shipping. There was moreover an increase of \$20 million in the surplus on migrants' funds brought about mainly through large per capita inflows of funds from a relatively small number of individuals arriving from these countries.

Total current and capital account transactions by Canada with the United Kingdom and other overseas countries in 1970 resulted in net receipts by Canada of \$782 million. The strength in merchandise exports described above was the principal factor in producing a current account surplus of \$1,264 million. Capital movements between Canada and these countries led to a net outflow of \$482 million mainly to augment Canadian holdings of foreign currency held overseas.

Capital Movements

The net movement of capital between Canada and other countries in 1970 produced an inflow of \$233 million, a decline of \$583 million from the 1969 level. Inflows of capital in long-term forms declined by \$1,443 million to \$814 million while short-term capital outflows fell by \$860 million to \$581 million in the year under review. The net capital inflow combined with the unprecedented current account surplus of \$1,297 million and the initial allocation of Special Drawing Rights of \$133 million to produce a record increase in net official monetary assets of \$1,663 million.

An \$800 million drop in sales of new Canadian issues to non-residents to \$1,269 million was the major factor in the decline in long-term capital inflows to \$814 million. Other factors accounting for the reduced net inflow were a swing to repurchase balances from transactions in outstanding Canadian securities; an increase in retirements of Canadian securities held abroad; a smaller inflow from the liquidation of Canadian holdings of foreign securities as the rate of reduction decelerated and finally reversed late in the year; increased outflows for government loans and export credits; and a swing to a net outflow in the category "other long-term capital" transactions mainly reflecting the repayments of bank loans from abroad. A significant increase in inflows for foreign direct investment in Canada provided the only major partial offset. The effect of adjusting actual long-term capital inflows to reflect the timing of security offerings is given in the accompanying statement which shows that deliveries exceeded offerings during the year by \$348 million.

Capital Movements in Long-term Forms

Period	Actual movement	Adjusted to reflect timing of security offerings
	millions of dollars	
1968	+ 1,654	+ 2,194
1969	+ 2,257	+ 2,114
1970	+ 814	+ 466
1969 I Q	+ 560	+ 581
II Q	+ 532	+ 532
III Q	+ 596	+ 448
IV Q	+ 569	+ 553
1970 I Q	+ 644	+ 585
II Q	- 44	- 152
III Q	+ 149	+ 57
IV Q	+ 65	- 24

Capital movements in short-term forms in 1970 gave rise to a net outflow of \$581 million, compared to \$1,441 million in 1969. The outflow for the acquisition by Canadians of foreign currency deposits and other short-term funds abroad accounted for \$376 million. Other significant outflows resulted from reductions in non-resident holdings of Canadian treasury bills and miscellaneous finance company obligations and from the other short-term capital transactions category. The main inflows arose from increased non-resident holdings of commercial, finance company and other short-term paper.

The total net capital inflow of \$233 million which occurred in 1970 was made up of outflows of \$107 million represented by increases by the Canadian chartered banks together with their domestic customers of net foreign currency claims on non-residents and of inflows aggregating \$340 million from all other transactions. The increase in the banks' net foreign currency claims on non-

residents of \$107 million reflected an inflow of \$55 million from the United States and an outflow of \$162 million to overseas countries. Details appear in the following statement. The bank's net spot liabilities to Canadian residents dropped by \$130 million reflecting on the liability side an increase in swapped deposits and a partially offsetting decrease in other deposit liabilities amounting together to \$87 million while, on the asset side, a much larger increase of \$217 million occurred. During the year the level of swapped deposits moved about quite irregularly from a low in July of \$1,285 million to a high in October of \$1,755 million and closed the year at \$1,689 million. It should be noted that the banking guidelines which were introduced on May 3, 1968 were still current in 1970. These guidelines were designed to ensure that the chartered banks would not be a channel for the outflow of funds from the United States which impaired the balance of payments position of that country without improving Canada's external position. At the end of 1970 the Canadian banks had a net short spot foreign currency position overseas of \$130 million and a net long spot foreign currency position in the United States of \$2,251 million, which combined with a net short spot position to Canadian residents of \$1,986 million resulted in a net long spot position of \$135 million.

Foreign Currency Assets and Liabilities of Head Offices and Branches in Canada
of the Canadian Chartered Banks, 1968-1970

	Net Transactions								Amount end of 1970
	1968	1969	1970	1970					
				I	II	III	IV		
millions of dollars									
Assets with residents of:									
United States	168	815	- 33	- 362	28	249	52	3,103	
Other countries	737	1,405	1,380	283	356	82	659	4,582	
Total non-resident	905	2,220	1,347	- 79	384	331	711	7,685	
Canada	(b) - 54	215	217	73	104	144	- 104	1,207	
Totals	851	2,435	1,564	- 6	488	475	607	8,892	
Liabilities with residents of:									
United States	- 296	339	22	- 61	92	- 55	46	852	
Other countries	793	1,361	1,218	215	469	206	328	4,712	
Total non-resident	497	1,700	1,240	154	561	151	374	5,564	
Canada - swapped deposits ..	- 141	792	224	63	- 278	471	- 32	1,689	
- other	229	460	- 137	- 62	- 95	21	- 1	1,504	
Total Canada	(a) 88	1,252	87	1	- 373	492	- 33	3,193	
Totals	585	2,952	1,327	155	188	643	341	8,757	
Net assets with residents of:									
United States	464	476	- 55	- 301	- 64	304	6	2,251	
Other countries	- 56	44	162	68	- 113	- 124	331	- 130	
Total non-resident	408	520	107	- 233	- 177	180	337	2,121	
Canada	- 142	- 1,037	130	72	477	- 348	- 71	- 1,986	
Totals	(a) 266	- 517	237	- 161	300	- 168	266	135	

Note: This statement shows the effect on Canada's balance of payments of foreign currency banking operations of the Canadian chartered banks. As described on page 14 of the report for the second quarter of 1965, the amounts identified as (a) are embodied within item D 17.1 (e.g. this item in 1970 led to a net outflow of \$324 million, reflecting an increase of \$87 million in residents' holdings of foreign currency deposits with Canadian chartered banks in Canada and an increase of \$237 million in the net foreign currency holdings of these institutions); the amount identified as (b) is embodied within items D 13 and D 17.5 (e.g. in 1970 as an aggregate inflow of \$217 million). These amounts in sum are equivalent to the \$107 million outflow representing the 1970 increase in the banks' net assets with all non-residents. The transactions figures are based on data published monthly in the Statistical Summary of the Bank of Canada, but have been adjusted so as to eliminate changes in value resulting from variations in exchange rates. It should also be noted that there is a discontinuity in the above series as gold assets and liabilities have been included with the foreign currency data up to the end of March 1968 and excluded thereafter.

Direct Investment

Transactions affecting direct investment in foreign - controlled Canadian enterprises resulted in a net capital inflow of \$290 million in the fourth quarter of 1970 and \$760 million in the year as a whole. The United States continued to be the major contributor of direct investment capital to Canada with net flows representing about 70 per cent of the total although the level was virtually unchanged from the previous year. A significant development during the year was the sharply increased flows from Continental Europe, more than double the amount recorded in the previous year and representing about one fifth of the current total. Most of the net inflow was channelled into new capital formation and normal working capital requirements, however, over 20 per cent of the net flows represented special transactions such as the takeover of existing Canadian enterprises or assets by non-residents and the refinancing of facilities acquired or built in an earlier period. Refinancing was particularly prominent in 1970 and represented over half the net inflow to the petroleum and natural gas industry.

A significant part of the net inflow was again directed to the manufacturing industry which alone received over 35 per cent of the total. Sharply increased inflows were recorded during the period to expand the pulp and paper making industry.

The increase in Canadian direct investment abroad resulting from transactions during 1970 amounted to \$215 million. This net capital outflow represented a reduction from the previous year when the net outflow reached \$255 million.

A reduced net outflow to the United States combined with a net inflow from the United Kingdom to more than offset increased flows to all other countries. Net outflows to the United States which represented over 60 per cent of the total included large transfers in the first quarter from a Canadian concern in the non-ferrous metals industry to its United States fabricating subsidiary to repay bank borrowings incurred in the construction of a cold-rolling mill in that country. Transactions with the United Kingdom resulted in a net capital inflow and were dominated by the disposal in August of a major direct investment by Canadian Breweries Limited. Net outflows to Continental Europe were directed mainly to the manufacturing industry while net flows to all other countries were more evenly divided between the industrial sectors of the economy.

Security Transactions

Portfolio transactions in 1970 gave rise to a net inflow of \$661 million down sharply from the \$1,832 million inflow of 1969. Sales of new Canadian issues abroad of \$1,269 million were the lowest since 1965 and the retirement of Canadian securities at \$474 million the highest since 1966. This reduced contributions from abroad in 1970 to Canada's net new supply of long-term portfolio capital to 18 per cent from 52 per cent in 1969. Trading in outstanding Canadian securities was responsible for net outflows of \$195 million, a change of \$250 million from the previous year's inflow. Transactions in foreign securities also contributed to the reduction with an inflow of \$61 million during 1970 compared to \$106 million in 1969. The large scale inflows of 1969 continued in the first and second quarters of 1970, but then changed abruptly to a net outflow in the third quarter. As the year progressed trading in outstanding foreign securities swung steadily from a net inflow of \$116 million in the first quarter to a net outflow of \$101 million in the fourth quarter.

New Issues of Canadian Bonds Sold to United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
millions of dollars			
1968	1,875	1,335	914
1969	1,145	1,288	771
1970	656	1,004	423
1969 I Q	394	373	935
II Q	272	272	935
III Q	246	394	787
IV Q	233	249	771
1970 I Q	361	420	712
II Q	26	134	604
III Q	189	281	512
IV Q	80	169	423

(1) At end of period.

Proceeds of \$1,269 million from new issues of Canadian securities sold to non-residents in 1970 were down sharply from the record inflow in 1969 of \$2,067 million. This reduction must be viewed, however, in the context of unusual strength in the Canadian balance of payments. Massive accumulations of international reserves in the first few months of 1970 led to the unpegging of the Canadian dollar at the end of May. To reduce the pressure on the exchange rate and the reserves and also to conform to understandings with the United States government concerning access to their capital markets, the Minister of Finance in the second quarter requested Canadian borrowers to seek funds first in Canada rather than abroad. A narrowing of interest rate differentials between Canada and other countries was an additional factor in lessening the inflow from abroad, particularly Europe.

After inflows of \$287 million and \$444 million in 1968 and 1969, new Canadian issues placed in Germany totalled only \$21 million in 1970.

Foreign currency issues in 1970 represented a smaller proportion of net proceeds from abroad of all new Canadian issues than in previous years. In the fourth quarter especially, non-resident purchases of essentially domestic issues denominated in Canadian currency reached a high level, as Canadian dollar issues appeared attractive to non-resident investors. In 1970, Canadian currency issues represented 9 per cent of total purchases by non-residents of new Canadian issues, compared with 5 per cent in 1969.

A significant factor in the increased outflow for the retirement of Canadian securities held by non-residents arose from the government's efforts to minimize the reserve accumulation. The large increase in retirements of Canadian securities during the second quarter represented mainly the redemption amounting to \$106 million of an Italian currency note issued by the federal government in 1968 to increase foreign currency reserves. A tranche of almost one third was retired at maturity in May and the remaining two tranches in June, well ahead of their maturity dates. The effect of retirements and net purchases from non-residents of direct and guaranteed issues of the Government of Canada was a sizeable reduction - some \$150 million - of foreign holdings of Government of Canada securities.

New issues in 1970 were significantly less than in 1969 for all classes of securities except corporate bonds, which at \$561 million were only down slightly from \$571 million in 1969. Corporate issues, however, were inflated by the refinancing of a large outstanding bank debt into a bond issue, resulting in an offsetting effect, and therefore no net movement of funds in the balance of payments. Without this large security issue aggregate corporate issues purchased by non-residents would also have been down sharply from the previous year.

New issues of foreign securities purchased by Canadians fell to \$25 million from \$43 million in 1969, as no major offerings by foreign borrowers were made in Canada during the year. Estimated retirements of foreign securities held by Canadians of \$9 million were also down from \$35 million in 1969.

Trading in outstanding securities during 1970 resulted in net purchases from non-residents of \$118 million, compared with net sales of \$169 million in 1969. The early part of the year was marked by the most protracted slide in stock prices experienced in recent years on North American exchanges. The decline in stock prices up to July was accompanied by consistent inflows from foreign security transactions and outflows from Canadian security transactions. As stock prices moved slowly upwards, however, Canadians became net purchasers of foreign securities, while the repurchase of Canadian securities, from abroad continued at a reduced rate.

Trading in Canadian securities resulted in net outflows of \$195 million - of which equity transactions accounted for \$155 million - compared with an inflow of \$55 million in the previous year. The outflow was, in part, associated with the bear market as conditions of selling pressure tend to shift non-resident held Canadian securities into Canadian portfolios.

The outflow from transactions in outstanding Canadian bonds and debentures, at \$40 million, was also substantial. Net purchases of Canadian bonds from the United States of \$68 million were offset somewhat by net sales to all other countries of \$28 million.

Transactions in outstanding foreign securities resulted in net inflows of \$77 million, compared with a net inflow of \$114 million in 1969. On a quarterly basis, however, net capital movements in 1970 moved steadily from a net inflow of \$116 million in the first quarter to an outflow of \$101 million in the fourth quarter. United States equities dominated international trading in foreign securities, accounting for some 89 per cent of gross trading in foreign securities, and resulting in net sales of \$87 million.

A more detailed review of international security movements in 1970 will be found in the December issue of "Sales and Purchases of Securities Between Canada and Other Countries" (DBS Catalogue No. 67-002) which also contains information relating to international transactions in Canadian short-term money market instruments.

Other Capital Flows in Long-Term Forms

Non-military assistance abroad by the Canadian government consists largely of payments of the regular assessments by the international organizations of which Canada is a member, official contributions, intergovernmental loans, subscriptions to the capital of investment agencies and the extension of export credits. Both assessments and contributions form a part of Canada's payments on current

account, while other transactions, to the extent that they give rise to claims on non-residents, are mainly reflected in capital movements in long-term forms.

Disbursements on intergovernmental loans extended by Canada in 1970 almost doubled to \$112 million from the previous year. Over 80 per cent of this outflow went to Commonwealth Asian countries. Disbursements are expected to continue to grow in succeeding years as drawings so far constitute only a small but growing part of aid commitments.

Subscriptions to the capital of international agencies in 1970 amounted to \$30 million. This amount, made up of payments to the International Development Association, the Asian Development Bank, and the Caribbean Regional Development Bank, was paid in the form of non-negotiable non-interest bearing Canadian dollar demand notes for the first two institutions. Changes in the obligations to IDA and ADB are reflected in item D14.2 of the capital account covering Government of Canada demand liabilities.

During the year Canada received higher repayments of \$36 million in principal on intergovernmental loans extended earlier. The increase of \$14 million over 1969 reflected receipts of about \$9 million and \$5 million from France and the Netherlands, respectively. These were the first principal repayments received from these countries since 1962 when prepayments covering the period up to 1969 were made to bolster Canada's foreign exchange reserves. Of the remainder \$20 million came from the United Kingdom while \$2 million was paid by Belgium. In addition to the repayments of principal, there were receipts of \$23 million during 1970 on account of interest. These receipts form part of the current account item comprising Canada's receipts of interest and dividends.

Receipts from the United States associated with the Columbia River Treaty amounted to \$31 million representing a further annual maturity of the medium-term non-marketable United States government securities acquired in connection with the Treaty arrangements. Holdings of these securities stood at US \$24 million at the end of 1970.

Export Credits(1) Extended Directly or Indirectly at Risk of the Government of Canada

Year and quarter		Wheat			Other commodities			Total
		Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net	
millions of dollars								
1968	.....	- 145	+ 217	+ 72	- 88	+ 45	- 43	+ 29
1969	.....	- 101	+ 119	+ 18	- 76	+ 49	- 27	- 9
1970	.....	- 190	+ 136	- 54	- 137	+ 55	- 82	- 136
1969	I Q	- 25	+ 20	- 5	- 20	+ 12	- 8	- 13
	II Q	- 39	+ 15	- 24	- 17	+ 11	- 6	- 30
	III Q	- 18	+ 32	+ 14	- 22	+ 15	- 7	+ 7
	IV Q	- 19	+ 52	+ 33	- 17	+ 11	- 6	+ 27
1970	I Q	- 32	+ 40	+ 8	- 17	+ 17	-	+ 8
	II Q	- 45	+ 26	- 19	- 32	+ 14	- 18	- 37
	III Q	- 70	+ 32	- 38	- 40	+ 11	- 29	- 67
	IV Q	- 43	+ 38	- 5	- 48	+ 13	- 35	- 40

(1) Medium and long-term.

Transactions arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government of Canada resulted in a large net outflow of \$136 million. This contrasted with the net outflow in 1969 of only \$9 million and was attributable to a sharp increase in advances of export credits on wheat to Latin American and Middle Eastern countries. Large net advances to Latin America and to a lesser degree Yugoslavia occurred in commodities other than wheat. Although centrally planned economies other than Yugoslavia accounted for large credit advances for the purchase of wheat, repayments of earlier loans ran slightly higher.

The remaining capital movements in long-term forms, which include bank and other long-term loans, mortgage investments and movements of insurance funds, led to a net outflow of \$181 million compared to

a net inflow of \$69 million in 1969. The major part of the outflow was the result of changes in long-term liabilities of Canadian corporations to foreign banks, movements of insurance funds and Canadian dollar bank loans to non-residents which accounted for about \$80 million, \$45 million, and \$35 million, respectively.

Capital Movements in Short-term Forms

Capital movements in short-term forms (apart from changes in net official monetary assets) led to a net capital outflow of \$581 million, some \$860 million less than in 1969.

Canadian dollar deposits of non-residents rose by \$22 million over the year. Residents of the United Kingdom decreased their holdings by \$34 million but this was more than compensated for by increases of \$41 million and \$15 million in the holdings of residents of the United States and all other foreign countries, respectively. At the year-end, deposit liabilities to non-residents aggregated about \$770 million, of which some \$490 million were held by United States residents, \$65 million by United Kingdom residents, and \$215 million by residents of other foreign countries. Government of Canada demand liabilities in the form of interest-free demand notes issued to international investment agencies declined by \$11 million in 1970. The amount outstanding at the end of the year was approximately \$7 million.

Increased foreign participation in the Canadian money market took place mainly in the second and fourth quarters, when large inflows more than offset a substantial outflow which had occurred in the first quarter of the year. These movements came mainly from transactions with United States residents. The movements in the second quarter appear to have been motivated by a considerable premium on the forward Canadian dollar, while a narrowing of interest differentials in the fourth quarter (vis-à-vis the Euro-dollar market in particular) resulted in a significant return on hedged investment in Canadian instruments, and produced a massive inflow through investment in high quality paper. It is interesting to note that in the fourth quarter sales of finance company paper to non-residents fell from the second and third quarter levels while repurchases and maturities were at their peak for the year. This development was in line with the sharp reduction in the outstanding amount of these instruments following a major strike affecting the automobile industry and its financing requirements.

Transactions in finance company paper in 1970 resulted in net inflows of \$208 million, and accounted for more than 50 per cent of trading with non-residents in all classes of paper. After a net outflow of \$75 million in the first quarter, transactions in finance company paper resulted in substantial net inflows for the rest of the year. In the second quarter this class of paper appeared to be the most popular medium for arbitrage movements, resulting in net inflows of \$174 million, mainly from the United States. The rate of inflow was sharply reduced in the second half of the year, and net sales of finance company paper to countries other than the United States represented the major portion of the net capital inflow.

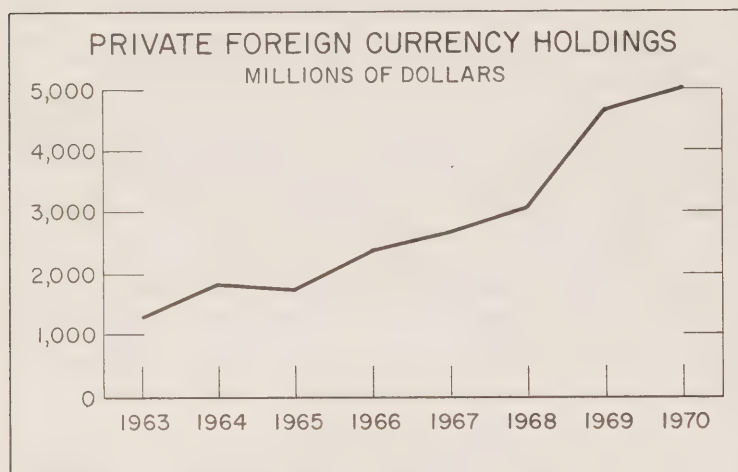
Gross trading in commercial paper increased more than three-fold from the 1969 level, and resulted in net inflows of \$52 million. The increase in gross trading was largely due to increased international transactions in bankers' acceptances as the total value of bankers' acceptances outstanding grew from \$174 million at the end of 1969 to \$395 million by the end of 1970. The high quality characteristics of this type of paper attracted a large amount of capital from the United States in the fourth quarter, as the covered yield differentials apparently diverted funds from the Euro-dollar market.

Transactions in other short-term paper, which includes notes of banks, mortgage loan companies, and junior levels of government were responsible for net inflows of \$49 million during 1970. The same sort of movement occurring in commercial paper in the fourth quarter also took place in this class of paper, leading to net inflows in the fourth quarter alone of \$61 million, and more than off-setting net outflows of \$12 million earlier in the year.

Non-residents reduced their holdings of Government of Canada treasury bills by some \$73 million. Outflows occurred in each quarter, as yields on Canadian treasury bills were lower than on the equivalent instruments abroad. Almost all portions of the outflow occurred in trading with residents of countries other than the United States, who redeemed \$69 million in Canadian treasury bills during the course of the year, mostly in the third quarter.

An increase by Canadian residents of their holdings of foreign currency bank balances and other short-term funds abroad produced a net capital outflow of \$376 million in 1970 compared to the build-up in 1969 of \$1,604 million. A rise of \$107 million in the Canadian chartered banks' foreign currency net asset position with non-residents was a principal factor in this movement.

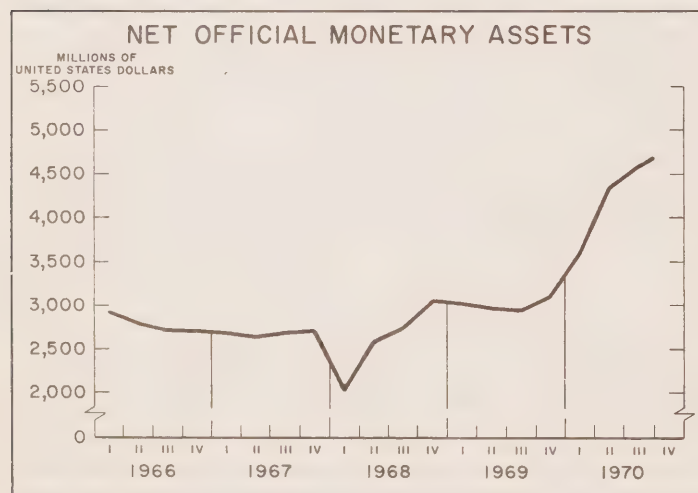
A significant increase in Canadian residents' holdings of foreign currency swapped deposits with the chartered banks during the year more than offset a reduction in their holdings of other foreign currency deposits.



There was a net decrease in non-resident claims on Canadian finance companies in the form of bank loans and intercompany accounts totalling \$79 million in 1970. All other transactions led to a net capital outflow of \$373 million, an increase of \$144 million from the 1969 disbursement figure. The identified items included in this account demonstrated widely divergent movements during the year. Recorded transactions related to intercompany accounts receivable showed significant outflows while there were, on balance, large inflows arising from increased bank loans. However, the largest component in 1970 comprised the balancing item representing the difference between the direct measurements of the current and capital accounts. This item amounted to a net payment balance of about \$400 million in the year.

Official International Monetary Assets and Liabilities

Canada's net official monetary assets totalled US \$4,679 million at December 31, 1970, an increase of US \$1,574 million over the year. The large increase in reserves of US \$978 million during the first five months of the year and the monetary problems associated with financing any further substantial accumulation led to the announcement by the Minister of Finance on May 31, 1970 that the Canadian authorities would no longer peg the Canadian dollar to within one per cent of its par value of 92 1/2 US cents. However, even with a floating exchange rate net reserves registered an additional US \$596 million increase over the remaining seven months. In part this was due to swaps and forward transactions as the Exchange Fund had acquired by May 31, 1970 US \$360 million for future delivery. These fell due in the remaining months of the year and resulted in an equivalent increase in reserves. In addition, the Exchange Fund undertook transactions for the purpose of moderating movements in the exchange rate also resulting in some net addition to the reserves.



Holdings in United States dollars increased by a record amount of US \$1,278 million over the year. The largest part of the increase amounting to US \$782 million occurred before the unpegging of the Canadian dollar in May.

Holdings of other convertible currencies increased by US \$2 million to a level of US \$14 million at the end of the year. There were, however, relatively large variations in holdings during the year with a peak in May equivalent to US \$17 million.

the quota increase was paid in Canadian currency. Apart from a growth of US \$90 million due to Canada's new IMF quota, Canada's IMF position rose largely due to drawings of US \$186 million in Canadian dollars

Canada's reserve position with the IMF totalled US \$670 million at the end of the year, an increase of US \$192 million over the year. As of December 29, 1970, Canada's IMF quota was increased by US \$360 million to US \$1,100 million. Twenty five per cent of this increase was paid in gold, leading to a reduction of US \$90 million in the gold holdings of the Exchange Fund Account, and to an equivalent increase in Canada's reserve position in the IMF. The remaining portion of

by IMF members as well as by the IMF to finance gold transactions. However the effects of these transactions were partially offset by other countries' repayments in Canadian dollars and the purchase of gold and Special Drawing Rights by Canada in the first and third quarters, respectively. In the first quarter of the year Canada had augmented the Fund's Canadian dollar resources by making a loan to that institution under the General Arrangements to Borrow equivalent to US \$24.5 million.

Holdings of gold decreased by US \$81 million over the year to US \$791 million. In addition to the transaction involving Canada's IMF quota increase, a sale of Canadian dollars was made to the IMF for the equivalent of US \$8.8 million in gold during the first quarter of the year.

Canada's holdings of Special Drawing Rights amounted to the equivalent of US \$182 million at the end of the year. Included in this total is an amount of US \$124 million, representing Canada's share of the US \$3.5 billion of SDR's which the IMF allocated to participating member countries on January 1, 1970. A further US \$36.4 million of SDR's was purchased from the IMF in the third quarter of the year. Various other sales to member countries accounted for the remainder with the exception of US \$2 million which came to Canada as an earning on its net IMF position.

Canada's official monetary liabilities dropped from a level of almost US \$1 million to a negligible amount during the year.

The total of the above transactions led to an overall increase in Canada's net official monetary assets during the year expressed in Canadian dollars of \$1,663 million.

The freeing of the Canadian dollar from a fixed value in terms of other currencies followed more than six months of strong upward pressure in the foreign exchange market. Spot Canadian dollars had been on or near the effective ceiling of about 107.25 Canadian cents for one United States dollar since last December. Since it was freed at the end of May, the spot value of the Canadian dollar on the foreign exchange markets has shown marked appreciation. The spot value of the United States dollar on the Canadian exchange market closed the year at 101.13 Canadian cents. During the year the Canadian dollar traded in a relatively wide band between 100.94 and 107.47 cents for US \$1.00. After the large initial appreciation in June, the spot value of the Canadian dollar increased to a lesser extent in the remaining two quarters.

The forward Canadian dollar for delivery in 90 days went to a premium in April of 1970. The premium reached a peak of about 1.40 per cent (rate per annum) in June after the unpegging of the dollar and then fell, as the spot rate rose, to reach a negligible discount in the last week of December.

Other Currencies in Canada(2)

United States Dollar in Canada(1)

Period	High	Low	Close	Noon average	Canadian cents				
					Pound sterling	French franc	Deutsche- mark	Swiss franc	Japanese yen
1968	109.00	107.25	107.28	107.75	257.94	21.76	26.99	24.96	.2989
1969	108.25	107.25	107.28	107.68	257.39	20.78	27.46	24.97	.3005
1970	107.47	100.31	101.13	104.40	250.16	18.89	28.63	24.22	.2916
1969 I Q	107.84	107.25	107.66	107.46	256.83	21.69	26.77	24.91	.3003
II Q	108.16	107.50	108.09	107.76	257.53	21.69	26.94	24.94	.3007
III Q	108.25	107.66	107.91	107.90	257.54	20.39	27.09	25.07	.3005
IV Q	108.06	107.28	107.28	107.60	257.65	19.30	29.05	24.94	.3007
1970 I Q	107.38	107.25	107.25	107.28	257.86	19.34	29.13	24.91	.3000
II Q	107.47	102.56	103.44	106.10	254.92	19.21	29.13	24.63	.2960
III Q	103.59	100.31	101.84	102.32	244.35	18.53	28.17	23.77	.2854
IV Q	102.53	100.94	101.13	101.96	243.63	18.47	28.05	23.60	.2851
October	102.53	101.84	102.00	102.14	243.85	18.49	28.12	23.59	.2855
November	102.19	101.75	101.91	102.00	243.84	18.49	28.10	23.62	.2852
December	102.19	100.94	101.13	101.74	243.23	18.43	27.92	23.59	.2845

(1) Spot rates prevailing on the interbank market in Canada.

(2) Average spot rates based on nominal quotations in terms of United States dollars, converted into Canadian dollars at noon Ottawa time.

STATISTICS OF THE CANADIAN
BALANCE OF INTERNATIONAL PAYMENTS

TABLES

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1)

Current Account

Line No.	Acct. No.	Item	1968				1969	
			I	II	III	IV	I	II
			millions of dollars					
	A	<u>Current receipts</u>						
1	1	Merchandise exports (adjusted)(2)	3,017	3,532	3,321	3,667	3,467	3,809
		Service receipts						
2	3	Gold production available for export	33	27	32	28	31	28
3	4	Travel	81	230	539	128	86	250
4	5	Interest and dividends	67	82	82	122	88	112
5	6	Freight and shipping	191	226	236	238	203	241
6	(part)11	Other service receipts	208	213	210	209	291	307
7		Total service receipts	580	778	1,099	725	699	938
8		Sub-totals, exports of goods and services	3,597	4,310	4,420	4,392	4,166	4,747
		Transfer receipts						
9	7	Inheritances and immigrants' funds	55	99	131	85	62	100
10	(part)11	Personal and institutional remittances(3)	23	24	24	24	22	23
11	12	Total current receipts	3,675	4,433	4,575	4,501	4,250	4,870
	B	<u>Current payments</u>						
12	1	Merchandise imports (adjusted)(2)	2,754	3,140	2,859	3,409	3,230	3,718
		Service payments						
13	4	Travel	216	246	375	171	268	341
14	5	Interest and dividends	280	304	288	387	298	318
15	6	Freight and shipping	194	240	244	253	207	267
16	(part)11	Other service payments	358	359	354	370	410	416
17		Total service payments	1,048	1,149	1,261	1,181	1,183	1,342
18		Sub-totals, imports of goods and services	3,802	4,289	4,120	4,590	4,413	5,060
		Transfer payments						
19	7	Inheritances and emigrants' funds	48	53	56	52	40	44
20	(part)11	Personal and institutional remittances(3)	38	36	36	38	45	42
21	9	Official contributions	14	40	50	29	16	49
22	12	Total current payments	3,902	4,418	4,262	4,709	4,514	5,195
	C	<u>Current account balance</u>						
23	1	Merchandise trade	+ 263	+ 392	+ 462	+ 258	+ 237	+ 91
		Service transactions						
24		Gold production available for export	+ 33	+ 27	+ 32	+ 28	+ 31	+ 28
25		Travel	- 135	- 16	- 164	- 43	- 182	- 91
26		Interest and dividends	- 213	- 222	- 206	- 265	- 210	- 206
27		Freight and shipping	- 3	- 14	- 8	- 15	- 4	- 26
28		Other service transactions	- 150	- 146	- 144	- 161	- 119	- 109
29		Balance on service transactions	- 468	- 371	- 162	- 456	- 484	- 404
30		Balance on goods and services	- 205	+ 21	+ 300	- 198	- 247	- 313
31		Net transfers	- 22	- 6	+ 13	- 10	- 17	- 12
32	4	Total current account balance	- 227	+ 15	+ 313	- 208	- 264	- 325

(1) Data for 1968 are mostly final, those for 1969 and 1970 are preliminary.

(2) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments - see Table 6.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1)

Current Account

1969		1970				1968	1969	1970	Acct. No.	Line No.
III	IV	I	II	III	IV					
millions of dollars										
3,545	4,053	3,936	4,525	4,048	4,332	13,537	14,874	16,841	A 1	1
27	22	25	26	22	22	120	108	95	3	2
581	157	107	292	641	179	978	1,074	1,219	4	3
85	129	112	121	123	157	353	414	513	5	4
235	257	234	270	274	270	891	936	1,048	6	5
308	329	337	349	352	339	840	1,235	1,377	(part)11	6
1,236	894	815	1,058	1,412	967	3,182	3,767	4,252		7
4,781	4,947	4,751	5,583	5,460	5,299	16,719	18,641	21,093		8
109	92	72	101	122	93	370	363	388	7	9
23	23	24	24	25	26	95	91	99	(part)11	10
4,913	5,062	4,847	5,708	5,607	5,418	17,184	19,095	21,580	12	11
3,312	3,754	3,305	3,875	3,317	3,342	12,162	14,014	13,839	B 1	12
476	207	299	373	552	230	1,008	1,292	1,454	4	13
294	435	388	352	353	431	1,259	1,345	1,524	5	14
251	266	225	262	265	260	931	991	1,012	6	15
424	444	456	455	458	489	1,441	1,694	1,858	(part)11	16
1,445	1,352	1,368	1,442	1,628	1,410	4,639	5,322	5,848		17
4,757	5,106	4,673	5,317	4,945	4,752	16,801	19,336	19,687		18
58	52	42	49	62	58	209	194	211	7	19
42	43	46	48	43	47	148	172	184	(part)11	20
46	33	31	42	79	49	133	144	201	9	21
4,903	5,234	4,792	5,456	5,129	4,906	17,291	19,846	20,283	12	22
+ 233	+ 299	+ 631	+ 650	+ 731	+ 990	+ 1,375	+ 860	+ 3,002	C 1	23
+ 27	+ 22	+ 25	+ 26	+ 22	+ 22	+ 120	+ 108	+ 95		24
+ 105	- 50	- 192	- 81	+ 89	- 51	- 30	- 218	- 235		25
- 209	- 306	- 276	- 231	- 230	- 274	- 906	- 931	- 1,011		26
- 16	- 9	+ 9	+ 8	+ 9	+ 10	- 40	- 55	+ 36		27
- 116	- 115	- 119	- 106	- 106	- 150	- 601	- 459	- 481		28
- 209	- 458	- 553	- 384	- 216	- 443	- 1,457	- 1,555	- 1,596		29
+ 24	- 159	+ 78	+ 266	+ 515	+ 547	- 82	- 695	+ 1,406		30
- 14	- 13	- 23	- 14	- 37	- 35	- 25	- 56	- 109		31
+ 10	- 172	+ 55	+ 252	+ 478	+ 512	- 107	- 751	+ 1,297	4	32

(3) Personal and institutional remittances include pension payments. Prior to 1 Quarter 1970 publications, the total of this line was included in "all other current" transactions.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1) - Concluded

Capital Account(4)

Line No.	Acct. No.	Item	1968				1969	
			I	II	III	IV	I	II
			millions of dollars					
	D	Direct investment(5)						
33	1	In Canada	+ 53	+ 225	+ 137	+ 175	+ 156	+ 233
34	2	Abroad	- 88	- 6	- 20	- 111	- 52	- 103
		Portfolio transactions						
		Canadian securities						
35	3.1	Outstanding bonds	- 53	- 11	- 13	+ 7	+ 17	- 6
36	3.2	Outstanding stocks	+ 16	+ 34	+ 10	+ 54	+ 37	+ 44
37	4	New issues	+ 403	+ 708	+ 440	+ 366	+ 616	+ 516
38	5	Retirements	- 139	- 135	- 39	- 118	- 84	- 124
		Foreign securities						
39	6	Outstanding issues	- 72	- 125	- 118	- 105	- 50	- 6
40	7	New issues	- 23	- 10	- 15	- 29	- 11	- 21
41	8	Retirements	+ 10	+ 9	+ 3	+ 8	+ 11	+ 19
		Loans and subscriptions - Government of Canada						
42	9	Advances	- 10	- 8	- 16	- 44	- 11	- 43
43	10	Repayments	+ 2	+ 2	+ 1	-	-	+ 2
44	11	Columbia River Treaty	-	-	-	+ 88	-	-
45	12	Export credits directly or indirectly at risk of the Government of Canada	+ 45	+ 8	- 9	- 15	- 13	- 30
46	13	Other long-term capital transactions	+ 21	+ 58	+ 12	+ 91	- 56	+ 51
47	E 1	Balance of capital movements in long-term forms (lines 33-46)	+ 165	+ 749	+ 373	+ 367	+ 560	+ 532
48	D 17.1	Resident holdings of foreign bank balances and other short-term funds abroad	- 99	+ 10	- 170	- 142	- 156	- 568
		Non-resident holdings of Canadian:						
49	14.1	Dollar deposits	+ 8	+ 4	+ 4	+ 54	- 11	+ 25
50	14.2	Government demand liabilities	- 4	- 3	+ 1	+ 27	- 2	- 30
51	14.3	Treasury bills	+ 23	+ 1	+ 11	+ 13	+ 13	- 10
52	17.2a	Commercial paper	-	-	+ 2	- 1	- 1	+ 23
53	17.3	Finance company paper	- 60	- 35	- 37	-	+ 159	+ 71
54	17.2b	Other short-term paper	+ 7	- 17	- 1	+ 9	- 2	- 21
55	17.4	Other finance company obligations	- 6	- 7	- 2	+ 34	+ 23	+ 28
56	17.5	Other short-term capital transactions(6)	- 571	- 97	- 332	+ 178	- 357	+ 221
57	E 2	Balance of capital movements in short-term forms (lines 48-56)	- 702	- 144	- 524	+ 172	- 334	- 261
58	E 3	Total net capital balance	- 537	+ 605	- 151	+ 539	+ 226	+ 271
59		Allocation of Special Drawing Rights .....	...	...	...	...	...	...
	H	Net official monetary movements(7):						
60	4	Official international reserves	- 495	+ 486	+ 28	+ 331	- 38	- 54
61	5	Official monetary liabilities	- 269	+ 134	+ 134	-	-	-
62	6	Net official monetary assets	- 764	+ 620	+ 162	+ 331	- 38	- 54

(4) A minus sign in Accounts D and E indicates an outflow of capital from Canada and represents an increase in holdings of assets abroad or a reduction in liabilities to non-residents.

(5) Exclusive of undistributed profits.

TABLE 1. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS(1) - Concluded

Capital Account(4)

1969		1970				1968	1969	1970	Acct. No.	Line No.
III	IV	I	II	III	IV					
millions of dollars										
D										
+ 79 - 25	+ 187 - 75	+ 200 - 150	+ 155 - 20	+ 115 + 15	+ 290 - 60	+ 590 - 225	+ 655 - 255	+ 760 - 215	1 2	33 34
- 12 - 4	+ 3 - 24	+ 4 - 4	- 26 - 83	- 17 - 37	- 1 - 31	- 70 + 114	+ 2 + 53	- 40 - 155	3.1 3.2	35 36
+ 565 - 53	+ 370 - 135	+ 535 - 87	+ 208 - 239	+ 304 - 49	+ 222 - 99	+ 1,917 - 431	+ 2,067 - 396	+ 1,269 - 474	4 5	37 38
+ 65 - 5 + 2	+ 105 - 6 + 3	+ 116 - 5 + 2	+ 82 - 5 + 2	- 20 - 10 + 2	- 101 - 5 + 3	- 420 - 77 + 30	+ 114 - 43 + 35	+ 77 - 25 + 9	6 7 8	39 40 41
- 15 -	- 20 + 20	- 25 -	- 59 + 7	- 35 -	- 23 + 29	- 78 + 5	- 89 + 22	- 142 + 36	9 10	42 43
-	+ 32	-	-	-	+ 31	+ 88	+ 32	+ 31	11	44
+ 7	+ 27	+ 8	- 37	- 67	- 40	+ 29	- 9	- 136	12	45
- 8	+ 82	+ 50	- 29	- 52	- 150	+ 182	+ 69	- 181	13	46
+ 596	+ 569	+ 644	- 44	+ 149	+ 65	+ 1,654	+ 2,257	+ 814	E 1	47
- 621	- 259	+ 206	- 5	- 470	- 107	- 401	- 1,604	- 376	D 17.1	48
- 4 + 1 + 13 - 15 - 71 - 5 + 3	+ 50 - 3 + 19 + 35 + 17 + 25 + 62	+ 31 - 2 - 9 + 7 - 75 - 1 - 52	+ 36 + 27 - 6 - 7 + 174 - 29 + 74	+ 5 + 1 - 44 - 20 + 75 + 18 - 40	- 50 - 37 - 14 + 72 + 34 + 61 - 61	+ 70 + 21 + 48 + 1 - 132 - 2 + 19	+ 60 - 34 + 35 + 42 + 176 - 3 + 116	+ 22 - 11 - 73 + 52 + 208 + 49 - 79	14.1 14.2 14.3 17.2a 17.3 17.2b 17.4	49 50 51 52 53 54 55
+ 88	- 181	- 410	+ 309	+ 74	- 346	- 822	- 229	- 373	17.5	56
- 611	- 235	- 305	+ 573	- 401	- 448	- 1,198	- 1,441	- 581	E 2	57
- 15	+ 334	+ 339	+ 529	- 252	- 383	+ 456	+ 816	+ 233	E 3	58
...	...	+ 133	-	-	-	...	...	+ 133		59
H										
- 5 - - 5	+ 162 - + 162	+ 527 - + 527	+ 781 - + 781	+ 225 + 1 + 226	+ 129 - + 129	+ 350 - 1 + 349	+ 65 - + 65	+ 1,662 + 1 + 1,663	4 5 6	60 61 62

(6) Includes balancing item representing difference between direct measures of current and capital accounts and embodies errors and omissions from both accounts.

(7) For detailed composition of official monetary assets see Table 4.

... Not applicable.

TABLE 2. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Current Account - Seasonally Adjusted

Line No.	Acct. No.	Item	1968			
			I	II	III	IV
			millions of dollars			
	A	<u>Current receipts</u>				
1	1	Merchandise exports (adjusted)(1)	3,240	3,348	3,389	3,560
		Service receipts				
2	3	Gold production available for export	32	27	31	30
3	4	Travel	242	252	246	238
4	5	Interest and dividends	72	86	100	95
5	6	Freight and shipping	217	221	225	228
6	(part)11	Other service receipts	205	209	211	215
7		Total service receipts.....	768	795	813	806
8		Sub-totals, exports of goods and services	4,008	4,143	4,202	4,366
		Transfer receipts				
9	7	Inheritances and immigrants' funds	78	91	108	93
10	(part)11	Personal and institutional remittances(2)	23	24	24	24
11	12	Total current receipts	4,109	4,258	4,334	4,483
	B	<u>Current payments</u>				
12	1	Merchandise imports (adjusted)(1)	2,965	2,912	3,008	3,277
		Service payments				
13	4	Travel	246	231	269	262
14	5	Interest and dividends	304	322	325	308
15	6	Freight and shipping	227	230	231	243
16	(part)11	Other service payments	354	353	356	378
17		Total service payments	1,131	1,136	1,181	1,191
18		Sub-totals, imports of goods and services	4,096	4,048	4,189	4,468
		Transfer payments				
19	7	Inheritances and emigrants' funds	57	56	47	49
20	(part)11	Personal and institutional remittances(2)	36	35	37	40
21	9	Official contributions	25	30	41	37
22	12	Total current payments	4,214	4,169	4,314	4,594
	C	<u>Current account balance</u>				
23	1	Merchandise trade	+ 275	+ 436	+ 381	+ 283
		Service transactions				
24		Gold production available for export	+ 32	+ 27	+ 31	+ 30
25		Travel	- 4	+ 21	- 23	- 24
26		Interest and dividends	- 232	- 236	- 225	- 213
27		Freight and shipping	- 10	- 9	- 6	- 15
28		Other service transactions	- 149	- 144	- 145	- 163
29		Total service transactions	- 363	- 341	- 368	- 385
30		Balance on goods and services	- 88	+ 95	+ 13	- 102
31		Net transfers	- 17	- 6	+ 7	- 9
32	4	Total current account balance	- 105	+ 89	+ 20	- 111

(1) Trade of Canada figures with certain valuation and timing adjustments appropriate for balance of payments.

TABLE 2. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Current Account - Seasonally Adjusted

1969				1970				Acct. No.	Line No.
I	II	III	IV	I	II	III	IV		
millions of dollars									
3,718	3,614	3,637	3,905	4,261	4,250	4,151	4,179	A 1	1
30	28	27	23	24	26	22	23	3	2
255	268	263	288	306	302	291	320	4	3
97	115	103	99	121	126	142	124	5	4
230	235	225	246	264	264	262	258	6	5
283	298	312	342	326	339	358	354	(part)11	6
895	944	930	998	1,041	1,057	1,075	1,079		7
4,613	4,558	4,567	4,903	5,302	5,307	5,226	5,258		8
88	90	86	99	101	92	96	99	7	9
22	23	23	23	24	24	25	26	(part)11	10
4,723	4,671	4,676	5,025	5,427	5,423	5,347	5,383	12	11
								B	
3,448	3,450	3,503	3,613	3,559	3,586	3,506	3,188	1	12
304	323	343	322	339	360	386	369	4	13
325	335	333	352	414	365	391	354	5	14
241	256	239	255	260	251	253	248	6	15
399	413	432	450	441	453	469	495	(part)11	16
1,269	1,327	1,347	1,379	1,454	1,429	1,499	1,466		17
4,717	4,777	4,850	4,992	5,013	5,015	5,005	4,654		18
48	48	49	49	51	53	53	54	7	19
43	41	43	45	44	47	45	48	(part)11	20
29	37	38	40	43	34	68	56	9	21
4,837	4,903	4,980	5,126	5,151	5,149	5,171	4,812	12	22
								C	
+ 270	+ 164	+ 134	+ 292	+ 702	+ 664	+ 645	+ 991	1	23
+ 30	+ 28	+ 27	+ 23	+ 24	+ 26	+ 22	+ 23		24
- 49	- 55	- 80	- 34	- 33	- 58	- 95	- 49		25
- 228	- 220	- 230	- 253	- 293	- 239	- 249	- 230		26
- 11	- 21	- 14	- 9	+ 4	+ 13	+ 9	+ 10		27
- 116	- 115	- 120	- 108	- 115	- 114	- 111	- 141		28
- 374	- 383	- 417	- 381	- 413	- 372	- 424	- 387		29
- 104	- 219	- 283	- 89	+ 289	+ 292	+ 221	+ 604		30
- 10	- 13	- 21	- 12	- 13	- 18	- 45	- 33		31
- 114	- 232	- 304	- 101	+ 276	+ 274	+ 176	+ 571	4	32

(2) Personal and institutional remittances include pension payments. Prior to I Quarter 1970 publications, the total of this line was included in "all other current" transactions.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

By Area

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of dollars					
	<u>United States</u>						
1	Merchandise exports (adjusted)	2,053	2,352	2,179	2,532	2,459	2,666
2	Non-merchandise receipts(1,4)	378	573	891	511	457	658
3	Total current receipts	2,431	2,925	3,070	3,043	2,916	3,324
4	Merchandise imports (adjusted)	2,076	2,307	2,019	2,465	2,454	2,677
5	Non-merchandise payments(1)	803	894	932	894	880	989
6	Total current payments	2,879	3,201	2,951	3,359	3,334	3,666
	Balance						
7	Merchandise trade	- 23	+ 45	+ 160	+ 67	+ 5	- 11
8	Non-merchandise trade	- 425	- 321	- 41	- 383	- 423	- 331
9	Current account balance	- 448	- 276	+ 119	- 316	- 418	- 342
	Capital movements(2)						
10	In long-term forms	+ 127	+ 385	+ 281	+ 341	+ 376	+ 357
11	In short-term forms	- 548	- 239	- 713	+ 230	- 160	+ 277
12	Total net capital balance	- 421	+ 146	- 432	+ 571	+ 216	+ 634
	<u>United Kingdom</u>						
13	Merchandise exports (adjusted)	295	319	323	303	289	290
14	Non-merchandise receipts(1)	86	99	102	93	112	133
15	Total current receipts	381	418	425	396	401	423
16	Merchandise imports (adjusted)	160	180	161	181	172	231
17	Non-merchandise payments(1)	97	108	149	118	105	136
18	Total current payments	257	288	310	299	277	367
	Balance						
19	Merchandise trade	+ 135	+ 139	+ 162	+ 122	+ 117	+ 59
20	Non-merchandise trade	- 11	- 9	- 47	- 25	+ 7	- 3
21	Current account balance	+ 124	+ 130	+ 115	+ 97	+ 124	+ 56
	Capital movements(2)						
22	In long-term forms	+ 7	+ 47	- 24	+ 37	+ 10	+ 11
23	In short-term forms	- 178	- 88	- 26	- 125	- 348	- 654
24	Total net capital balance	- 171	- 41	- 50	- 88	- 338	- 643
	<u>Rest of the Sterling Area</u>						
25	Merchandise exports (adjusted)	134	167	165	149	142	155
26	Non-merchandise receipts(1)	45	58	70	62	51	72
27	Total current receipts	179	225	235	211	193	227
28	Merchandise imports (adjusted)	77	110	130	140	95	151
29	Non-merchandise payments(1)	39	61	55	47	53	76
30	Total current payments	116	171	185	187	148	227
	Balance						
31	Merchandise trade	+ 57	+ 57	+ 35	+ 9	+ 47	+ 4
32	Non-merchandise trade	+ 6	- 3	+ 15	+ 15	- 2	- 4
33	Current account balance	+ 63	+ 54	+ 50	+ 24	+ 45	-

See footnotes at the end of table.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

By Area

1969		1970				1968	1969	1970	No.
III	IV	I	II	III	IV				
millions of dollars									
2,436	2,938	2,639	2,981	2,529	2,804	9,116	10,499	10,953	1
946	604	510	715	1,066	634	2,353	2,665	2,925	2
3,382	3,542	3,149	3,696	3,595	3,438	11,469	13,164	13,878	3
2,290	2,711	2,464	2,799	2,284	2,264	8,867	10,132	9,811	4
1,018	986	979	1,023	1,101	1,026	3,523	3,873	4,129	5
3,308	3,697	3,443	3,822	3,385	3,290	12,390	14,005	13,940	6
+ 146	+ 227	+ 175	+ 182	+ 245	+ 540	+ 249	+ 367	+ 1,142	7
- 72	- 382	- 469	- 308	- 35	- 392	- 1,170	- 1,208	- 1,204	8
+ 74	- 155	- 294	- 126	+ 210	+ 148	- 921	- 841	- 62	9
+ 467	+ 432	+ 563	+ 104	+ 212	+ 79	+ 1,134	+ 1,632	+ 958	10
- 498	- 159	- 151	+ 436	- 399	- 129	- 1,270	- 540	- 243	11
- 31	+ 273	+ 412	+ 540	- 187	- 50	- 136	+ 1,092	+ 715	12
272	269	335	415	368	386	1,240	1,120	1,504	13
140	148	139	155	163	170	380	533	627	14
412	417	474	570	531	556	1,620	1,653	2,131	15
203	180	168	201	181	182	682	786	732	16
174	129	128	160	210	137	472	544	635	17
377	309	296	361	391	319	1,154	1,330	1,367	18
+ 69	+ 89	+ 167	+ 214	+ 187	+ 204	+ 558	+ 334	+ 772	19
- 34	+ 19	+ 11	- 5	- 47	+ 33	- 92	- 11	- 8	20
+ 35	+ 108	+ 178	+ 209	+ 140	+ 237	+ 466	+ 323	+ 764	21
- 24	+ 59	+ 65	+ 55	+ 36	- 7	+ 67	+ 56	+ 149	22
- 275	- 76	- 55	- 79	+ 251	- 362	- 417	- 1,353	- 245	23
- 299	- 17	+ 10	- 24	+ 287	- 369	- 350	- 1,297	- 96	24
165	156	181	186	215	203	615	618	785	25
79	71	59	67	79	68	235	273	273	26
244	227	240	253	294	271	850	891	1,058	27
168	173	108	189	159	173	457	587	629	28
62	58	67	68	93	74	202	249	302	29
230	231	175	257	252	247	659	836	931	30
- 3	- 17	+ 73	- 3	+ 56	+ 30	+ 158	+ 31	+ 156	31
+ 17	+ 13	- 8	- 1	- 14	- 6	+ 33	+ 24	- 29	32
+ 14	- 4	+ 65	- 4	+ 42	+ 24	+ 191	+ 55	+ 127	33

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

By Area

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of dollars					
	<u>Other OECD (Europe)(3)</u>						
34	Merchandise exports (adjusted)	203	269	283	296	263	315
35	Non-merchandise receipts(1)	57	77	74	66	64	87
36	Total current receipts	260	346	357	362	327	402
37	Merchandise imports (adjusted)	181	240	235	285	214	311
38	Non-merchandise payments(1)	140	142	181	158	152	176
39	Total current payments	321	382	416	443	366	487
	Balance						
40	Merchandise trade	+ 22	+ 29	+ 48	+ 11	+ 49	+ 4
41	Non-merchandise trade	- 83	- 65	- 107	- 92	- 88	- 89
42	Current account balance	- 61	- 36	- 59	- 81	- 39	- 85
	<u>Other Countries</u>						
43	Merchandise exports (adjusted)	332	425	371	387	314	383
44	Non-merchandise receipts(1)	59	67	85	74	68	83
45	Total current receipts	391	492	456	461	382	466
46	Merchandise imports (adjusted)	260	303	314	338	295	348
47	Non-merchandise payments(1)	69	73	86	83	94	100
48	Total current payments	329	376	400	421	389	448
	Balance						
49	Merchandise trade	+ 72	+ 122	+ 57	+ 49	+ 19	+ 35
50	Non-merchandise trade	- 10	- 6	- 1	- 9	- 26	- 17
51	Current account balance	+ 62	+ 116	+ 56	+ 40	- 7	+ 18
	<u>All Countries</u>						
52	Merchandise exports (adjusted)	3,017	3,532	3,321	3,667	3,467	3,809
53	Non-merchandise receipts(1, 4)	658	901	1,254	834	783	1,061
54	Total current receipts	3,675	4,433	4,575	4,501	4,250	4,870
55	Merchandise imports (adjusted)	2,754	3,140	2,859	3,409	3,230	3,718
56	Non-merchandise payments(1)	1,148	1,278	1,403	1,300	1,284	1,477
57	Total current payments	3,902	4,418	4,262	4,709	4,514	5,195
	Balance						
58	Merchandise trade	+ 263	+ 392	+ 462	+ 258	+ 237	+ 91
59	Non-merchandise trade	- 490	- 377	- 149	- 466	- 501	- 416
60	Current account balance	- 227	+ 15	+ 313	- 208	- 264	- 325
	Capital movements						
61	In long-term forms	+ 165	+ 749	+ 373	+ 367	+ 560	+ 532
62	In short-term forms	- 702	- 144	- 524	+ 172	- 334	- 261
63	Total net capital balance	- 537	+ 605	- 151	+ 539	+ 226	+ 271
64	Allocation of Special Drawing Rights .....	...	...	...	...	...	...
65	Net official monetary movements	- 764	+ 620	+ 162	+ 331	- 38	- 54

(1) Including transfer receipts/payments.

(2) Capital movements by area on a quarterly basis are available at this time only for Canada's transactions with the United States and the United Kingdom.

TABLE 3. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

By Area									
1969		1970				1968	1969	1970	No.
111	1V	I	11	111	1V				
millions of dollars									
305	320	351	419	388	458	1,051	1,203	1,616	34
90	79	92	106	112	92	274	320	402	35
395	399	443	525	500	550	1,325	1,523	2,018	36
283	314	238	317	311	330	941	1,122	1,196	37
217	197	189	207	259	196	621	742	851	38
500	511	427	524	570	526	1,562	1,864	2,047	39
+ 22	+ 6	+ 113	+ 102	+ 77	+ 128	+ 110	+ 81	+ 420	40
- 127	- 118	- 97	- 101	- 147	- 104	- 347	- 422	- 449	41
- 105	- 112	+ 16	+ 1	- 70	+ 24	- 237	- 341	- 29	42
367	370	430	524	548	481	1,515	1,434	1,983	43
86	85	86	114	117	100	285	322	417	44
453	455	516	638	665	581	1,800	1,756	2,400	45
368	376	327	369	382	393	1,215	1,387	1,471	46
120	110	124	123	149	131	311	424	527	47
488	486	451	492	531	524	1,526	1,811	1,998	48
- 1	- 6	+ 103	+ 155	+ 166	+ 88	+ 300	+ 47	+ 512	49
- 34	- 25	- 38	- 9	- 32	- 31	- 26	- 102	- 110	50
- 35	- 31	+ 65	+ 146	+ 134	+ 57	+ 274	- 55	+ 402	51
3,545	4,053	3,936	4,525	4,048	4,332	13,537	14,874	16,841	52
1,368	1,009	911	1,183	1,559	1,086	3,647	4,221	4,739	53
4,913	5,062	4,847	5,708	5,607	5,418	17,184	19,095	21,580	54
3,312	3,754	3,305	3,875	3,317	3,342	12,162	14,014	13,839	55
1,591	1,480	1,487	1,581	1,812	1,564	5,129	5,832	6,444	56
4,903	5,234	4,792	5,456	5,129	4,906	17,291	19,846	20,283	57
+ 233	+ 299	+ 631	+ 650	+ 731	+ 990	+ 1,375	+ 860	+ 3,002	58
- 223	- 471	- 576	- 398	- 253	- 478	- 1,482	- 1,611	- 1,705	59
+ 10	- 172	+ 55	+ 252	+ 478	+ 512	- 107	- 751	+ 1,297	60
+ 596	+ 569	+ 644	- 44	+ 149	+ 65	+ 1,654	+ 2,257	+ 814	61
- 611	- 235	- 305	+ 573	- 401	- 448	- 1,198	- 1,441	- 581	62
- 15	+ 334	+ 339	+ 529	- 252	- 383	+ 456	+ 816	+ 233	63
...	...	+ 133	-	-	-	...	...	+ 133	64
- 5	+ 162	+ 527	+ 781	+ 226	+ 129	+ 349	+ 65	+ 1,663	65

(3) Includes Austria, Belgium and Luxembourg, Denmark, Federal Republic of Germany, France, Greece, Greenland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey. Finland included as of January 1970.

(4) Gold production available for export has not been allocated on a bilateral basis but is included in the total for all countries.

... Not applicable.

TABLE 4. CANADA'S OFFICIAL INTERNATIONAL MONETARY ASSETS AND LIABILITIES

No.	Item	1968				1969	
		I	II	III	IV	I	II
		millions of United States dollars at end of period					
	<u>Assets</u>						
	Official holdings of foreign exchange						
1	U.S. dollars	1,269	1,649	1,672	1,965	1,918	1,758
2	Other convertible currencies	16	15	16	12	9	15
3	Monetary gold	976	926	863	863	863	866
4	Special Drawing Rights .....	...	...	...	...	...	...
5	Reserve position in IMF	-	121	186	206	221	322
6	Total official international reserves(1)	2,261	2,711	2,737	3,046	3,011	2,961
	<u>Liabilities</u>						
7	Use of IMF credit(2)	-	-	-	-	-	-
8	Foreign exchange deposit liabilities ...	1	1	1	1	1	1
9	Reported use of central bank reciprocal credit facilities	250	125	-	-	-	-
10	Total official monetary liabilities	251	126	1	1	1	1
11	Net official monetary assets	2,010	2,585	2,736	3,045	3,010	2,960
		Change in millions of Canadian dollars					
	<u>Change in Assets and Liabilities</u>						
12	Total official international reserves(3)	- 495	+ 486	+ 28	+ 331	- 38	- 54
13	Total official monetary liabilities(3)	- 269	+ 134	+ 134	-	-	-

(1) As published by the Minister of Finance.

(2) Transactions with the IMF when that institution holds Canadian dollars in excess of 100 per cent of the Canadian quota.

TABLE 4. CANADA'S OFFICIAL INTERNATIONAL MONETARY ASSETS AND LIABILITIES

1969		1970							No.
III	IV	I	II	III	IV	October	November	December	
millions of United States dollars at end of period									
1,668 14	1,744 12	2,057 14	2,770 17	2,905 13	3,022 14	2,951 15	2,991 12	3,022 14	1 2
872	872	879	880	880	791	880	880	791	3
...	...	133	143	181	182	181	181	182	4
402	478	515	523	574	670	580	580	670	5
2,956	3,106	3,598	4,333	4,553	4,679	4,607	4,644	4,679	6
- 1	- 1	- 1	- 1	- -	- -	- -	- -	- -	7
1	1	1	1	-	-	-	-	-	8
-	-	-	-	-	-	-	-	-	9
1	1	1	1	-	-	-	-	-	10
2,955	3,105	3,597	4,332	4,553	4,679	4,607	4,644	4,679	11
Change in millions of Canadian dollars									
- 5	+ 162	+ 527	+ 781	+ 225	+ 129	+ 55	+ 39	+ 35	12
-	-	-	-	+ 1	-	-	-	-	13

(3) These totals appear as items H4 and H5 in Table 1.

... Not applicable.

TABLE 5. CANADA'S GENERAL ACCOUNT WITH THE INTERNATIONAL MONETARY FUND(1)

	Canadian assets			Canadian liabilities (equals IMF holdings of Canadian dollars)							Canada's net balance with IMF (2)
	Transactions		Total assets	Transactions						Total liabil- ities	
	Subscrip- tion to IMF (Quota)	Loans under GAB		Subscrip- tions and loans	Foreign currencies		Canadian dollars		Other		
					Drawings by Canada	Re- payments (-)	Drawings by other countries(-)	Re- payments			
millions of United States dollars											
1947-1966	740.0	50.0	790.0	605.0	300.0	- 245.7	- 949.4	570.1	61.5(3)	341.5	448.5
1967		-15.0	775.0	- 15.0			- 30.0	45.1		341.6	433.4
1968		-35.0	740.0	- 35.0	426.0	- 64.8	- 138.5	7.3	- 2.8(4)	533.8	206.2
1969		95.5	835.5	65.5			- 293.5	43.2	8.4	357.4	478.1
1970	360.0	24.5	1,220.0	294.5			- 186.0	40.3	44.2	550.4	669.6
1968 1		-35.0	740.0	- 35.0	426.0			7.3		739.9	0.1
11			740.0				- 121.1			618.9	121.1
111			740.0			- 64.8				554.1	185.9
1V			740.0				- 17.5		- 2.8(4)	533.8	206.2
1969 1			740.0				- 15.0			518.8	221.2
11		40.0	780.0	40.0			- 103.5		2.5(3)	457.8	322.2
111		25.5	805.5	25.5			- 87.0	0.8	6.1(3)	403.2	402.3
1V		30.0(5)	835.5				- 88.0	42.4	- 0.2(4)	357.4	478.1
1970 1		24.5	860.0	24.5			- 63.8	18.1	8.8(3)	345.0	515.0
11			860.0				- 29.7	22.2		337.5	522.5
111			860.0				- 87.5		36.4(6)	286.4	573.6
1V	360.0		1,220.0	270.0			- 5.0		- 1.0(4)	550.4	669.6

(1) Excludes Special Drawing Rights account.

(2) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow (GAB). Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$1,100 million, i.e. to \$275 million. The Canadian dollar equivalent of changes in positive balances appears as a component of item H4 in Table 1. Changes in negative balances, i.e. use of IMF credit, are shown as a component of item H5.

(3) Sales of Canadian dollars to IMF for gold.

(4) Dividend payment to Canada.

(5) Acquisition of GAB notes issued previously to another IMF member.

(6) Sales of Canadian dollars to IMF for SDR'S.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

TABLE 6. BALANCE OF PAYMENTS ADJUSTMENTS TO TRADE OF CANADA FIGURES

Item	1968				1969				1970				1968	1969	1970
	I	II	III	IV	I	II	III	IV	I	II	III	IV			
	million of dollars														
Trade of Canada EXPORTS (including re-exports)	3,022	3,517	3,372	3,694	3,480	3,831	3,568	4,052	3,953	4,515	4,060	4,359	13,605	14,931	16,887
Adjustments:															
Wheat	+ 3	+ 29	- 21	- 15	-	+ 5	-	+ 9	- 6	+ 25	-	- 13	- 4	+ 14	+ 6
Aircraft and other adjustments	- 8	- 14	- 30	- 12	- 13	- 27	- 23	- 8	- 11	- 15	- 12	- 14	- 64	- 71	- 52
Equals merchandise exports adjusted to balance of payments basis	3,017	3,532	3,321	3,667	3,467	3,809	3,545	4,053	3,936	4,525	4,048	4,332	13,537	14,874	16,841
Trade of Canada IMPORTS ..	2,810	3,201	2,884	3,463	3,241	3,789	3,337	3,763	3,333	3,890	3,346	3,371	12,358	14,130	13,940
Adjustments:															
Automotive products	- 38	- 37	- 28	- 44	- 19	- 36	- 21	- 7	- 22	- 4	- 34	- 35	- 147	- 83	- 95
Aircraft and other.....															
equipment	- 13	- 18	+ 8	- 5	+ 13	- 29	+ 1	+ 4	- 1	- 6	+ 12	+ 12	- 28	- 11	+ 17
Other adjustments	- 5	- 6	- 5	- 5	- 5	- 6	- 5	- 6	- 5	- 5	- 7	- 6	- 21	- 22	- 23
Equals merchandise imports adjusted to balance of payments basis	2,754	3,140	2,859	3,409	3,230	3,718	3,312	3,754	3,305	3,875	3,317	3,342	12,162	14,014	13,839
Trade balance on balance of payments basis	+ 263	+ 392	+ 462	+ 258	+ 237	+ 91	+ 233	+ 299	+ 631	+ 650	+ 731	+ 990	+1,375	+ 860	+3,002

TABLE 7. RECONCILIATION STATEMENT WITH NATIONAL INCOME AND EXPENDITURE ACCOUNTS

	1969				1970				1968	1969	1970
	I	II	III	IV	I	II	III	IV			
	millions of dollars										
Exports of goods and services:											
Current receipts as per Canadian Balance of											
International Payments	4,250	4,870	4,913	5,062	4,847	5,708	5,607	5,418	17,184	19,095	21,580
Deduct:											
Current transfers:											
Personal remittances, etc.	- 22	- 23	- 23	- 23	- 24	- 24	- 25	- 26	- 95	- 91	- 99
Capital transfers:											
Inheritances and migrants' funds	- 62	- 100	- 109	- 92	- 72	- 101	- 122	- 93	- 370	- 363	- 388
Total exports of goods and services as per											
National Income and Expenditure Accounts ...	4,166	4,747	4,781	4,947	4,751	5,583	5,460	5,299	16,719	18,641	21,093
Imports of goods and services:											
Current payments as per Canadian Balance of											
International Payments	4,514	5,195	4,903	5,234	4,792	5,456	5,129	4,906	17,291	19,846	20,283
Deduct:											
Current transfers:											
Personal remittances, etc.	- 45	- 42	- 42	- 43	- 46	- 48	- 43	- 47	- 148	- 172	- 184
Official contributions	- 16	- 49	- 46	- 33	- 31	- 42	- 79	- 49	- 133	- 144	- 201
Capital transfers:											
Inheritances and migrants' funds	- 40	- 44	- 58	- 52	- 42	- 49	- 62	- 58	- 209	- 194	- 211
Add:											
Withholding taxes on dividends and interest	30	32	31	46	40	34	35	45	126	139	154
Withholding taxes on other payments(1)	16	41	17	19	26	36	10	41	83	93	113
Total imports of goods and services as per											
National Income and Expenditure Accounts	4,459	5,133	4,805	5,171	4,739	5,387	4,990	4,838	17,010	19,568	19,954

) Includes timing adjustments.

te: Data include some revisions not yet reflected in the National Income and Expenditure Accounts.

TABLE 8. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Summary of Current Account

Period	Exports (adjusted)	Imports (adjusted)	Trade balance	Non- merchandise receipts(1)	Non- merchandise payments(1)	Non- merchandise balance	Total current account balance	Current account balance			
								With:(2) United States	With: United Kingdom	With: All other countries	
	millions of dollars										
1960	5,392	5,540	- 148	1,744	2,829	- 1,085	- 1,233	- 1,359	+ 169	- 43	
1961	5,889	5,716	+ 173	1,899	3,000	- 1,101	- 928	- 1,341	+ 195	+ 218	
1962	6,387	6,203	+ 184	2,036	3,050	- 1,014	- 830	- 1,092	+ 225	+ 37	
1963	7,082	6,579	+ 503	2,207	3,231	- 1,024	- 521	- 1,148	+ 417	+ 210	
1964	8,238	7,537	+ 701	2,509	3,634	- 1,125	- 424	- 1,635	+ 605	+ 606	
1965	8,745	8,627	+ 118	2,736	3,984	- 1,248	- 1,130	- 1,937	+ 505	+ 302	
1966	10,326	10,102	+ 224	3,070	4,456	- 1,386	- 1,162	- 2,030	+ 425	+ 443	
1967	11,338	10,772	+ 566	3,747	4,812	- 1,065	- 499	- 1,342	+ 512	+ 331	
1968	13,537	12,162	+ 1,375	3,647	5,129	- 1,482	- 107	- 801	+ 466	+ 228	
1969	14,874	14,014	+ 860	4,221	5,832	- 1,611	- 751	- 733	+ 323	- 341	
1970	16,841	13,839	+ 3,002	4,739	6,444	- 1,705	+ 1,297	+ 33	+ 764	+ 500	
1965 I	1,826	1,866	- 40	505	886	- 381	- 421	- 595	+ 96	+ 78	
II	2,191	2,218	- 27	648	985	- 337	- 364	- 532	+ 141	+ 27	
III	2,263	2,101	+ 162	930	1,058	- 128	+ 34	- 175	+ 138	+ 71	
IV	2,465	2,442	+ 23	653	1,055	- 402	- 379	- 635	+ 130	+ 126	
1966 I	2,223	2,213	+ 10	563	960	- 397	- 387	- 590	+ 106	+ 97	
II	2,602	2,651	- 49	734	1,065	- 331	- 380	- 605	+ 110	+ 115	
III	2,695	2,472	+ 223	1,033	1,223	- 190	+ 33	- 191	+ 101	+ 123	
IV	2,806	2,766	+ 40	740	1,208	- 468	- 428	- 644	+ 108	+ 108	
1967 I	2,596	2,481	+ 115	648	1,076	- 428	- 313	- 563	+ 127	+ 123	
II	3,003	2,975	+ 28	947	1,244	- 297	- 269	- 508	+ 116	+ 123	
III	2,691	2,591	+ 100	1,350	1,250	+ 100	+ 200	+ 48	+ 102	+ 50	
IV	3,048	2,725	+ 323	802	1,242	- 440	- 117	- 319	+ 167	+ 35	
1968 I	3,017	2,754	+ 263	658	1,148	- 490	- 227	- 415	+ 124	+ 64	
II	3,532	3,140	+ 392	901	1,278	- 377	+ 15	- 249	+ 130	+ 134	
III	3,321	2,859	+ 462	1,254	1,403	- 149	+ 313	+ 151	+ 115	+ 47	
IV	3,667	3,409	+ 258	834	1,300	- 466	- 208	- 288	+ 97	- 17	
1969 I	3,467	3,230	+ 237	783	1,284	- 501	- 264	- 387	+ 124	- 1	
II	3,809	3,718	+ 91	1,061	1,477	- 416	- 325	- 314	+ 56	- 67	
III	3,545	3,312	+ 233	1,368	1,591	- 223	+ 10	+ 101	+ 35	- 126	
IV	4,053	3,754	+ 299	1,009	1,480	- 471	- 172	- 133	+ 108	- 147	
1970 I	3,936	3,305	+ 631	911	1,487	- 576	+ 55	- 269	+ 178	+ 146	
II	4,525	3,875	+ 650	1,183	1,581	- 398	+ 252	- 100	+ 209	+ 143	
III	4,048	3,317	+ 731	1,559	1,812	- 253	+ 478	+ 232	+ 140	+ 106	
IV	4,332	3,342	+ 990	1,086	1,564	- 478	+ 512	+ 170	+ 237	+ 105	

(1) Includes transfers.

(2) Includes gold production available for export.

CATALOGUE No.

67-001

QUARTERLY

Quarterly Estimates of the Canadian Balance of International Payments

Fourth Quarter 1970

ERRATA

Page 27 - Direct Investment in Canada - annual total 1969 was - 655,
should read, + 655.

2306-502

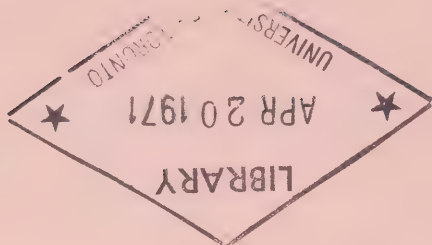


TABLE 8. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS - Concluded

Summary of Capital Account

Period	Direct investment in Canada	Direct investment abroad	Portfolio transactions	Other capital movements in long-term forms	Resident holdings of foreign bank balances and other short-term funds abroad	Non-resident holdings of Canadian short-term paper	Other capital movements in short-term forms(1)	Net capital movement	Allocation of Special Drawing Rights	Net official monetary movements
millions of dollars										
1960	+ 670	- 50	+ 217	+ 92	- 60	+ 56	+ 269	+ 1,194	...	- 39
1961	+ 560	- 80	+ 312	+ 138	+ 142	- 58	+ 206	+ 1,220	...	+ 292
1962	+ 505	- 105	+ 294	- 6	+ 92	+ 4	+ 200	+ 984	...	+ 154
1963	+ 280	- 135	+ 471	+ 21	- 259	+ 43	+ 245	+ 666	...	+ 145
1964	+ 270	- 95	+ 645	-	- 527	+ 169	+ 326	+ 788	...	+ 364
1965	+ 535	- 125	+ 546	- 92	+ 140	- 140	+ 425	+ 1,289	...	+ 159
1966	+ 790	- 5	+ 325	+ 57	- 603	- 12	+ 251	+ 803	...	- 359
1967	+ 691	- 125	+ 473	+ 316	- 259	- 47	- 530	+ 519	...	+ 20
1968	+ 590	- 225	+ 1,063	+ 226	- 401	- 85	- 712	+ 456	...	+ 349
1969	+ 655	- 255	+ 1,832	+ 25	- 1,604	+ 250	- 87	+ 816	...	+ 65
1970	+ 760	- 215	+ 661	- 392	- 376	+ 236	- 441	+ 233	+ 133	+ 1,663
1965 I	+ 142	- 57	+ 106	+ 22	- 173	- 8	- 27	+ 351	...	- 70
II	+ 133	+ 33	+ 69	- 53	+ 140	- 4	+ 47	+ 365	...	+ 1
III	+ 111	- 55	+ 218	- 58	- 76	- 60	+ 110	+ 190	...	+ 224
IV	+ 149	- 46	+ 153	- 3	- 97	- 68	+ 295	+ 383	...	+ 4
1966 I	+ 134	- 22	+ 356	+ 1	- 166	+ 7	- 56	+ 254	...	- 133
II	+ 203	- 29	- 3	+ 56	- 22	- 14	+ 66	+ 257	...	- 123
III	+ 151	+ 80	+ 27	- 6	- 318	- 41	- 12	- 119	...	- 86
IV	+ 302	- 34	- 55	+ 6	- 97	+ 36	+ 253	+ 411	...	- 17
1967 I	+ 154	- 37	+ 116	+ 45	+ 344	+ 17	- 341	+ 298	...	- 15
II	+ 186	- 16	+ 29	+ 51	+ 42	- 12	- 63	+ 217	...	- 52
III	+ 166	- 34	+ 102	+ 85	- 310	- 77	- 76	- 144	...	+ 56
IV	+ 185	- 38	+ 226	+ 135	- 335	+ 25	- 50	+ 148	...	+ 31
1968 I	+ 53	- 88	+ 142	+ 58	- 99	- 30	- 573	- 537	...	- 764
II	+ 225	- 6	+ 470	+ 60	+ 10	- 51	- 103	+ 605	...	+ 620
III	+ 137	- 20	+ 268	- 12	- 170	- 25	- 329	- 151	...	+ 162
IV	+ 175	- 111	+ 183	+ 120	- 142	+ 21	+ 293	+ 539	...	+ 331
1969 I	+ 156	- 52	+ 536	- 80	- 156	+ 169	- 347	+ 226	...	- 38
II	+ 233	- 103	+ 422	- 20	- 568	+ 63	+ 244	+ 271	...	- 54
III	+ 79	- 25	+ 558	- 16	- 621	- 78	+ 88	- 15	...	- 5
IV	+ 187	- 75	+ 316	+ 141	- 259	+ 96	- 72	+ 334	...	+ 162
1970 I	+ 200	- 150	+ 561	+ 33	+ 206	- 78	- 433	+ 339	+ 133	+ 527
II	+ 155	- 20	- 61	- 118	- 5	+ 132	+ 446	+ 529	-	+ 781
III	+ 115	+ 15	+ 173	- 154	- 470	+ 29	+ 40	- 252	-	+ 226
IV	+ 290	- 60	- 12	- 153	- 107	+ 153	- 494	- 383	-	+ 129

(1) Includes errors and omissions.

... Not applicable.

BINDING SECT. OCT 29 1971

